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LoDo Development Goes on, Defying Downturn

Developers of buildings under construction and nearly finished in downtown Denver's LoDo neighborhood are in that position for two main reasons - they have financing during the global credit crunch and they're building in one of the city's most desirable areas. They also have locked in most materials costs - steel, concrete, etc. - in an erratic commodities market, and are enjoying lower fuel costs, knowing they could increase at any time. "The challenge today, if you're a developer, is starting a project with the capital markets the way they are," said Jeff Selby, partner at 1111 Tower LLC, developer of downtown's Four Seasons Hotel & Private Residences. "But in this economy, Denver has avoided what happened in the worst of the S&L period here. We're pretty balanced." Both residential and commercial developers with projects in the LoDo vicinity are able to proceed because of market demand that continues despite today's economic downturn. Because that demand also calls for environmentally friendly buildings, many of the projects plan to be LEED-certified. "Every crane in downtown represents a project that's fully financed," said Brian Phetteplace, manager of residential and retail development at the Downtown Denver Partnership Inc. "When it comes to specific locations, development in LoDo is attributable to existing space being at such a premium." One of the first new LoDo-area projects to finish is the recently completed 1400 Wewatta building, developed by Opus Northwest LLC with Crestone Partners LLC of Denver and GE Asset Management. In September, the building welcomed one of its anchor tenants, Chipotle Mexican Grill Inc., which relocated its corporate headquarters from 1543 Wazee St. Among residential projects, the Four Seasons reached its 21st floor as of Thanksgiving week and the nearby Spire condo project started work on its 38th floor. Four Seasons condo purchasers will be able to start choosing a design theme for their units in December, according to marketing/sales director Kelly Carbajal. Spire developer The Nichols Partnership Inc. of Denver plans to start formal marketing of its units in the first quarter of 2009, with the opening of an 8,000-square-foot sales center at the nearby Colorado Convention Center, said Chris Crosby, Nichols Partnership executive vice president. Updates of specific projects, as of the week of Nov. 24, include:

- 1400 Wewatta
1400 Wewatta St.
Size: 210,000 square feet, nine stories
Developer: Opus Northwest LLC, Denver
Architects: Opus Architects & Engineers Inc., Shears Adkins Architects
This contemporary mixed-use, beige and red brick building, with 200,000 square feet of office space and 10,000 square feet of ground floor retail space, has completed exterior construction and now is doing tenant finish, according to Opus. A companion building - the 10-story 1401 Wynkoop, with 100,000 square feet of office space and three levels of residences - is planned. Both buildings are to be LEED-certified.
- 1515 Wynkoop
15th and Wynkoop streets
Size: 304,542 square feet, eight stories
Developer: Hines Interests LP, Houston/Denver
Architects: Hartman-Cox Architects, Gensler

A blend of old and new, this office building features the red brick exterior popular in many surrounding old buildings and is pre-certified LEED Silver. Exterior exterior construction started in April 2007 and is well along, having reached maximum height, but isn't finished. Completion initially was targeted for fall 2008, but in August, Hines adjusted the date to February 2009, with occupancy expected soon after. Signed tenants include Van Gilder Insurance Corp. of Denver, with 57,000 square feet of office space, and the Fogo de Chão Churrascaria Brazilian restaurant, with 12,610 square feet. The Samuel Gary Jr. & Associates Inc. energy company of Denver also has leased space in the building.

- 1900 Sixteenth (Phase 1)
16th and Delgany streets
Size: 335,000 square feet, 18 stories
Developer: Trammell Crow Co., Denver office
Architect: Tryba Architects
This \$100 million glass and precast concrete office building with retail space, located near light rail and Gates Corp.'s world headquarters, has nearly reached its full height, with the last few floors under construction. Most floors plus an adjacent parking garage are fully enclosed, and the entire building is expected to be enclosed by the end of January 2009, according to leasing broker Chris Phenicie, senior vice president at CB Richard Ellis Inc. Interest in the building is strong among prospective tenants trying to "reinvigorate their images," Phenicie said. "They want to be where the entertainment is, where the mass transit is; they want to be where it's hip." The project, which broke ground in 2007, is expected to be largely finished around June 2009 and ready for tenants next fall. Asking office rents are \$27 to \$28 triple net, or without expenses such as insurance and taxes. Project is pre-certified LEED Gold. Infrastructure for a second, shorter office building already is in place, so it can start construction quickly.
- 1755 Blake
Blake and 17th streets
Size: 125,000 square feet, five stories
Developer: First Century Development LLC, Centennial
Architect: RNL Design
Exterior construction is nearly finished on this contemporary, beige-brick and glass mixed-use building. The developer initially hoped the building would be ready for occupancy in mid-2008. Building is 74 percent leased, according to its website, www.1755blake.com.
- Four Seasons
14th & Arapahoe streets
Size: 102 condos and 230 hotel rooms, 45 stories
Developer: 1111 Tower LLC, Denver
Architect: Carney Architects, Jackson, Wyo.
This \$350 million luxury hotel and condo project is starting work on one floor per week. Project broke ground in September 2007, and is scheduled to be completed in 2010. Half the condos, which start on the 18th floor, have been presold, and Four Seasons local operations staff is expected to be in place in May or June 2009, Carbajal said.

- Spire
891 14th St.
Size: 503 condos, 42 stories
Developer: The Nichols Partnership Inc., Denver
Architect: RNL Design
The developer expects to start marketing units at the \$175 million condo project in the first quarter of 2009, and for the building to be finished late next year. Asking prices start in the low \$200,000s, with 60 percent of units priced at less than \$400,000. Marketing for first-floor retail space is under way. The developer already is making use of bottom floors, with huge banner advertisements for companies such as local Hyde Park Jewelers, Visa credit card and Budweiser American Ale. Proceeds from the ads go to the Denver Theater District, Crosby said. **(Denver Business Journal)**

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Big Surprise, Recession Official

Eighteen months into a credit freeze, the real estate industry hardly needs an official proclamation that the economy has gone into recession. Still, though, CRE--along with the rest of the nation--got one yesterday when the National Bureau of Economic Research--a private body whose sole mission is to call both the beginning and the end of a recession--announced the downturn's official arrival as last December. Wall Street, as it has regularly done for the last two months or so, responded with a huge--in this case 679-point--drop. The current downturn does not meet the official definition of a recession--two consecutive quarters of declining growth. GDP fell 0.5% in the third quarter this year; in Q2, GDP growth registered 2.8%. Still, though, the NBER noted that the economy met another definition of a recession: "a significant decline in economic activity spread across the economy, lasting more than a few months." The commercial real estate industry can attest first hand to that--it has been watching its residential counterpart struggle with both sales and financing for the last two years. Indeed, the widespread and--in most cases, careless--securitization of subprime loans is one of the origins of the crisis. CRE began to be directly impacted last August when the CMBS markets shut down. It also received a wake-up call in March when Bear Sterns was acquired by JP Morgan Chase in a Treasury Department-engineered buyout. With this hard-earned history behind it, news of an official recession "is merely a recognition of what everyone in the commercial real estate industry has known for some time," John St. Jeanos--a New York-based commercial real estate attorney at Herrick, Feinstein LLP, with a sub-specialty in finance--tells GlobeSt.com. "This is simply the retrospective interpretation of the empirical evidence that is needed to make official what has been patently obvious for many months." "The fact that we are in a recession is nothing more than a confirmation of what the commercial real estate industry has known and how the industry has acted for most of 2008," Barbara Trachtenberg, a partner in DLA Piper's Real Estate practice in Boston and president-elect of NEWIRE (New England Women in Real Estate), tells GlobeSt.com. She points out, "The only part of this information that is new is that it provides a starting point for the recession--December, 2007. For optimists using history as their guide, that means the end is near--probably within six months, which means that we have passed the halfway point. For others who take the view that this will be a longer than average recession, it simply means that we are almost one year through the pain." More important to

the CRE industry is not the question of what, but when--as in: When will the credit markets unlock? For his part, Jeanos doesn't "envision much of an effect on liquidity in the commercial real estate market, nor do the majority of the firm's developer clients, whom I counsel on finance issues. An aura of impending recession, or a real-time sense that we are in a recession, affects the credit markets far more than an official proclamation of the obvious: that we have been in an economic recession for months now." Trachtenberg says she doubts that lenders will suddenly become optimists, assume that the end of the recession is near and start the dollars flowing again. "However, I also don't think that this news is going to significantly tighten underwriting standards or significantly reduce the amount of deal flow from its current levels. My view is that the existence of the recession has already been taken into account." Indeed, the CRE industry has absorbed far more in the last few months than the mere fact of a recession. For example: Interest rate cuts are a placebo, at best, for CRE financing. When the official news came out, Federal Reserve Chairman Ben Bernanke all but promised to continue to cut interest rates--even while noting at the same time that they have only a limited impact. As recent history would suggest, he is right. Currently, the benchmark interest rate is at a historic 1% low. As late as September it has been at 2% for a while, following a series of targeted cuts that began last September. Each time the Fed made a decision--or not--to cut rates, the CRE industry shrugged. That is because this rate doesn't impact mortgage rates or long-term financing. That is why the Fed has said it is considering purchasing Treasury bonds on the open market--which could well bring down costs. Erratic government direction may not be helpful. If the Fed does make such a move, it would be one of the many innovative--as well as misdirected--measures the government has taken in the last few months. Beginning with the dramatic claims of impending economic disaster officials made in order to push the Troubled Asset Relief Program through Congress this fall, to the bailout of AIG to the decision to exclude illiquid mortgage-based assets from TARP, the government has zigged and zagged as it searched for a solution. In the Fed's defense, the current woes are almost unprecedented; it's not as though policymakers can dust off the recession manual to find a formula that works. Still, though, some in the industry are beginning to wonder if limited action is better than erratic action. "This back and forth by government has been worse than not doing anything," Edward J. Grebeck, CEO of Stamford, CT-based Tempus Advisors, a debt strategist and adjunct lecturer at NYU, tells GlobeSt.com. Furthermore, he adds, many of the initiatives the government has launched have not worked. The decision to inject \$250 billion of capital into the banking system, for instance, has not realized its intended goal of prompting banks to begin lending again. It's not just about liquidity. What happened, Grebeck says, is that the government misread the problem as a liquidity issue. And while liquidity is all but gone from the real estate capital markets, at heart the real problem is that so many assets have been mis-valued. "I don't know what the government can do about that. That is something that is going to have to work out through the system." Financing is still out there. Despite the environment the CRE industry has plugged along. Many deals that once would have gotten financing are now laying by the wayside. Still, though, financing is available for transactions with the strong sponsors in strong markets. Also some sources have not dried up at all. Multifamily financing has traditionally been dependent on Fannie Mae and Freddie Mac. Although the GSEs are clearly beleaguered--they have not yet failed to come through for multifamily borrowers. One example is Milestone Multifamily Investors LP--a joint venture between the Milestone Group and Invesco Real Estate, which just

received a \$102.9-million addition to an in-place credit facility from Fannie Mae.
(Globest.com)

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MarketWatch Ranks Denver No. 3

Denver slipped a place in a ranking of the best metro areas for business. The ranking, released Tuesday by MarketWatch, puts the Denver area at No. 3 this year, behind No. 1 Minneapolis-St. Paul and No. 2 Boston. MarketWatch inaugurated the ranking last year. The 50 largest metro areas were considered. Boston was No. 4 last year, but increased its standing in part because of its larger concentration of Fortune 1000 and S&P 500 companies. MarketWatch considered such criteria as the number of companies in metro areas on four lists: the Fortune 1000, Forbes private companies, the S&P 500 and the Russell 2000. The companies are counted and averaged against an area's population. Population and job growth also were considered, as were unemployment figures. Minneapolis-St. Paul received 324 points, which was down from 329 last year but well above Boston. Boston climbed in the ranking after gaining 19 points, to 302. After scoring 291 points, Denver came in this year with 297 points, thanks to the addition of three companies being added to the Forbes list of top private companies: First Data Corp., Pro-Build Holdings and MWH. The other cities in the top 10 were, in order, Washington, D.C.; Richmond, Va.; Charlotte, N.C.; Columbus, Ohio; Nashville; Dallas; and San Francisco.
(Denver Business Journal)

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Local Outlook Good for IT, Financial Workers

Demand is expected to be strong in the first quarter for both IT and financial workers in Denver, according to separate survey results released Tuesday by Robert Half International. The Menlo Park, Calif.-based staffing company said its survey of chief information officers revealed 14 percent in the Denver area expected to add IT staff. Another 4 percent saw the need to cut IT jobs. The net 10 percent hiring increase is 2 points above the national average. Among CFOs in the Denver area, 8 percent of those surveyed said they planned to add finance and accounting jobs, while 6 percent expected to cut staff. The net 2 percent increase is 1 point above the national average. **(Denver Business Journal)**

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Economist Optimistic for Colorado During Recession

The U.S. economy has been in a recession since December 2007, the National Bureau of Economic Research said Monday. But an economics expert from Colorado says because of the mix of jobs in the state and because the housing bubble wasn't as extreme as other states, Colorado has some advantages. "Conventional wisdom is that Colorado will suffer a slowdown, but it won't be as severe as the rest of the country because the structure of our industry is different," said Nancy Jianakoplos, Colorado State University Economics Professor. "We're not as dependent on financial services as some of the country. We're not as dependent on the automobile industry." Jianakoplos says looking at shoppers and the way people are spending money, it shows this recession is different than previous recessions. "Previous recessions were pretty much fueled by a lack of business spending," she said.

Jianakoplos, like many economists, thinks this recession could turn around my mid-to-late spring. She says Colorado's prospects look better than some other parts of the country. "My colleagues have models for the Colorado economy and they're suggesting not a job destruction, but maybe some additional jobs in the coming year in Colorado," she said. "Very few, but not necessarily negative jobs." Jianakoplos says while Colorado's downturn should be less extreme, the recovery should be right on pace with the rest of the country. **(CBS4)**

ConocoPhillips Ahead of Schedule on StorageTek Site

ConocoPhillips Co. started tearing down buildings at the old Storage Technology Corp. campus in Louisville the week of Nov. 17 — a little ahead of schedule. The Houston-based energy company, one of the world's largest oil and natural gas producers, plans to build a "world-class," environmentally friendly renewable-energy research and training facility — called the Global Technology and Corporate Learning Center — on the 432-acre site. Sun Microsystems Inc., which bought StorageTek in 2005, was expected to vacate its small operation remaining at the Louisville campus by year-end, but was able to be out early, according to ConocoPhillips spokeswoman Tracy Harlow. "Sun is essentially out of the property, and we have permission to go ahead with the deconstruction," Harlow said. **(Denver Business Journal)**

Retail's Long-Term View Optimistic

To put it mildly, the shopping center industry is going through a "rough patch," but basic fundamentals and demographic trends bode well for the future, speakers said at the International Council of Shopping Centers' CenterBuild conference, taking place here through Saturday. "Overall it's real tough," said ICSC chairman Mary Lou Fiala, president and COO of Regency Centers, Jacksonville, FL. "But we're optimistic about the industry and our future." Year-to-date retail sales have risen 2.3% compared with 2007, Fiala reported, but are disproportionately uneven by category, favoring discounters. "October sales do not bode well for the holiday season," she added. The association has revised its original holiday sales prediction of a 1% to 2% increase to just a 1% rise in sales. Yet given the turmoil in the US economy, the situation could be worse. "Even to come close to last year's sales with this kind of market is pretty strong," Fiala said. "It's not great, but it's not as bad as it seems." "We're still seeing around \$800 of spending per family," said Joseph Feldman, managing director and senior research analyst of New York City-based Telsey Advisory Group. "So it's not like the holidays won't happen." Other trends are troubling, Feldman. In 2001, 29 retailers and restaurant companies filed for bankruptcy. So far this year, 34 companies have filed for Chapter 11 protection, and more could come as second-tier retailer such as Borders Group, Office Depot and Talbots face challenges. Privately held retailers will experience more weakness than their publicly held brethren, he added. And sales will continue to be sluggish into next year. Another concern for some chains: Wal-Mart's decision to remodel all of its 3,900 stores over the next few years. "That puts tremendous pressure on other retailers," he said. "But if you've got the right product, it will sell." Other trends bode well for the long term, Fiala noted. The US population continues to grow, and will exceed 400 million by 2050. Having diversified their retailer base, developers no longer are dependent on a relatively small group of department stores and national

tenants to anchor and occupy centers. Overbuilding, both by developers and retailers, has been reined in as well. Retailers that had expanded their square footage by 7% annually have cut back to 4% to 4½% growth, Feldman noted. "As an industry, we will survive, and eventually thrive," Fiala said. (Globest.com)

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	CURRENT	1 MONTH PRIOR	1 YEAR PRIOR
FED FUNDS RATE	1.00	1.00	4.50
3 MONTH LIBOR	2.19	2.51	5.15
PRIME RATE	4.00	4.00	7.50
10 YEAR TREASURY	2.67	3.68	4.01
30 YEAR TREASURY	3.11	4.16	4.48

