

February 18, 2008

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Union Station Revival Coming into Focus

About \$17 million will be spent on the redevelopment of Denver's historic Union Station, according to an agreement between the project's developer and the ownership group. The money will be spent on restoring the building's core and shell, tenant improvement and related transit needs. The developer and ownership group last week signed a letter of intent that hammers out details of the redevelopment project, which calls for a transit hub and development of surrounding land. "This is the road map set in place to help us move ahead on more complicated negotiations," said Cole Finegan, a partner at Hogan & Hartson who is representing RTD in its negotiations with the developer. The \$476 million Union Station project is the centerpiece for FasTracks, the region's tax-funded, \$4.7 billion transit plan. Union Station and 19.5 acres surrounding it are owned by the Regional Transportation District, the city and county of Denver, the Denver Regional Council of Governments and the Colorado Department of Transportation. Union Station Neighborhood Co. was selected as master developer for the project in November 2006. Union Station Neighborhood Co. will receive a development fee of \$10.4 million. It will pay a total of \$27 million for five development parcels surrounding the historic building. Construction starts next January. It also will pay \$11.4 million for the Market Street Station property bounded by Blake and Market streets and 16th and 17th streets. The site's redevelopment must include 20,000 square feet of open space. Union Station Neighborhood Co. cannot buy the property until all other obligations have been met. The project will be paid for with proceeds from the sale of the surrounding property, \$208.8 million in FasTracks funding, tax-increment financing, and funding from the Federal Highway Administration and Federal Transit Administration, as well as other federal, state and private funds. **(Denver Post)**

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Deal Reached in Colorado History Museum Move

The Colorado Historical Society said Tuesday a deal has been reached allowing it to move its downtown history museum to a site half a block south of its existing building. The society said the state government has entered into a memorandum of understanding with Principal Real Estate Investors of Des Moines, Iowa, to move the Colorado History Museum to a vacant parcel between Broadway and Lincoln Street, just north of 12th Avenue. The \$6.5 million transaction reportedly involves development rights but not outright sale of the site. The society estimated that construction of the new museum will cost \$110 million. The museum is looking for a new home because the state needs to expand its judicial complex immediately north of the existing history museum at 13th Avenue between Broadway and Lincoln. At the new site, "plans call for transforming the property into a mixed-use space that will house a 200,000-square-foot museum building and a 200,000-square-foot commercial office building," the historical society said in a statement. "The commercial building, which will be privately financed and leased, will include a parking structure to accommodate approximately 450 spaces," the society said. The project is subject to legislative approval of tax-exempt financing. If the state Legislature gives it approval this year, construction would begin in 2009. The state judicial department will also contribute funds. An earlier plan to move the museum to nearby Civic Center was scuttled in the face of a political debate over the future of the area and its historic buildings. **(Denver Business Journal)**

Uncertainty Figures into Forecast for Denver Commercial Real Estate

This year appears to be one of uncertainty for commercial real estate in metro Denver, according to a new report by CB Richard Ellis Inc.'s Denver office. Volatile capital markets, tougher lending standards and 2008 being a presidential election year are among the trends that will affect real estate this year. But even though sales of commercial properties won't be as robust as those of recent years, sales volume "should pick up again, as investors get comfortable with more conservative underwriting and pricing," the report said. The metro area's economic stability, relative to the rest of the country's, also will be a plus for investors this year. An estimated 100,000 people will be added to the Colorado population in 2008, helping to cause a 1.9 percent boost in non-farm jobs. The fact that this year is a presidential election year also will effect commercial real estate in some way. "One thing is certain -- change is coming," the report said. "Regardless of the presidential candidate (or 'American Idol' candidate) that we elect, our country and the Denver metro area will undergo significant change between now and January 2009." Looking at specific types of commercial real estate, CBRE envisions the following this year:

Investment -- Acquisitions of Denver-area real estate properties likely won't be as robust as in 2007 and '07, but they are expected to remain healthy, as liquidity that has been sitting on the sidelines comes into play, according to the report. Rent increases will continue to push building values up.

Office space -- The downtown office market continues to benefit from public and private investment, including the expansion of the Denver Art Museum and Colorado Convention Center, construction of the Hyatt Regency Denver convention hotel and a \$550 million infrastructure bond package. Investors still like Denver's central business district. Downtown lease rates rose 18 percent in 2007, and are expected to increase 10 percent this year. Tenants will continue to struggle to find large blocks of space. The Denver Tech Center-dominated southeastern suburbs should continue to be relatively affordable, with average asking rents remaining at a relatively affordable \$20.43 per square at the end of 2007. Investment activity in the area also is expected to be "brisk" this year, the report said. "If downtown rates continue to climb, the southeast submarket should benefit from tenants migrating for more affordable space," the report said.

Industrial space -- May be approaching the top of its current expansion phase. Vacancies should remain well below the 10-year average of 7.5 percent. Expect the redevelopment of older, obsolete buildings in the dense urban core, especially in transit-oriented developments.

Retail space -- Colorado's depressed housing market will continue to effect shopping centers and other retail space in the new year. "The relationship between housing prices and retail sales is well known," the report said. Construction of new retail space is expected to remain high, but to move at a slower pace. Fewer than 2 million square feet of new retail space is expected to be finished in '08.

Land -- The land market this year probably will remain flat, because of volatility in the capital markets and a possible recession. "Developers and land investors are now forced to underwrite their yields with these factors, which will ultimately lead to

increasing selectiveness and limited transactions," the report said. On the positive side, construction prices are leveling off, which should add stability to the market. **(Denver Business Journal)**

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Developer Buys Final Piece for Downtown Denver Project

Developer Evan Makovsky has acquired the final piece of downtown Denver's Block 162, the historic Washington/McClintock Building, for \$8.3 million, according to Denver County real estate records. The building, located on the 16th Street Mall at California Street, includes upstairs office space occupied by tenants such as Morey Evans Advertising Inc. and Crown Technology, and first-floor retail space including an Anthony's Pizza restaurant. The seller was Washington McClintock Properties Inc. of Greeley. Makovsky and his company, Denver-based Shames-Makovsky Realty Co., assembled most of the block's pieces last summer for a 1 million-square-foot, mixed-use redevelopment. The block includes the long-blighted Steel Building -- better known as the Fontius building. The former Fontius shoe store, also an historic structure, currently is being restored. The Block 162 redevelopment, which does not yet have a name, will include residential, office, retail and entertainment components. Makovsky is working with the Urban Land Institute to come up with a plan for reworking the block, which is bounded by 15th, 16th, California and Welton streets and sits across from the new, 1,100-room Hyatt Regency Denver convention hotel. The block's old Bank of Denver and Republic Hotel buildings, which faced California, already have been razed. The developer closed on the three-story, Gothic Revival-style Washington/McClintock building on Jan. 31, according to county records. **(Denver Business Journal)**

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	CURRENT	1 MONTH PRIOR	1 YEAR PRIOR
FED FUNDS RATE	3.00	4.25	5.25
3 MONTH LIBOR	3.07	4.00	5.36
PRIME RATE	6.00	7.25	8.25
10 YEAR TREASURY	3.76	3.72	4.71
30 YEAR TREASURY	4.58	4.33	4.81