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

Metro Home Prices Fall but do Better Than in Most Cities

The Denver-area housing market outperformed all but one market in the 12 months ended in November, according to a national housing report released Tuesday. And in November, Denver-area homes lost only 1.1 percent, making it the best-performing city in the S&P/Case-Shiller Home Price Indices. For the 12-month period as well as the month of November, all 20 markets in the index showed negative returns. Home prices in the Denver area fell by only 4.3 percent in the 12 months ended in November; the overall drop for the index's 20 metro areas was 18.2 percent. Only Dallas, with a 3.3 percent decline, fared better than Denver. "Sometimes I have to chuckle when we celebrate negative returns, but relative to other cities we are in much better shape," said economist Patty Silverstein, principal of Development Research Partners. While the Denver area will lose jobs this year, Denver and the state will continue to outperform the nation, Silverstein told about 300 people at a real estate forecast breakfast Tuesday in Lakewood. Silverstein said she expects "minor" increases in home sales activity this year from 2008 and perhaps even a slight increase in prices. "Our marketplace is not overbuilt," Silverstein said. "We are building next to nothing. We are not plagued by an over-abundance of inventory like so many other places. And we never had the roller-coaster rise and fall of prices other places saw." Chris Behrens, a principal of UrbanThrive Real Estate, called the Case-Shiller report "encouraging" and "good news." Behrens said he has noticed that there seems to be a "core group of career professionals" selling real estate in Denver, while many brokers are leaving the business because they couldn't weather the tough economic climate. "I get the impression there are fewer buyers looking around on their own," Behrens said. "There are buyers out there who think you can get some really great deals, and they are turning to a core group of knowledgeable people to help them find and evaluate properties." Denver's housing market is in far better shape than in cities in California and in Phoenix, Las Vegas and Miami, said Chris Mygatt, president of Coldwell Banker Residential in Colorado. "These are catastrophically affected markets," Mygatt said. Phoenix and Las Vegas were the two worst markets through November, losing 32.9 percent and 31.6 percent, respectively, according to Case-Shiller. In some towns in California, homes that sold for \$1 million two years ago probably are worth less than \$600,000 today, Mygatt said. Since January 2000, a typical home in Denver has appreciated 26.65 percent, while other markets have appreciated far more. For example, during that period, homes in Los Angeles have appreciated almost 76 percent; Miami, almost 70 percent; New York 87 percent; Seattle 66 percent; and Phoenix and Las Vegas are both up about 30 percent, according to Case-Shiller. However, the free-fall in prices for many of the markets outside of Denver is expected to continue. Despite showing a smaller drop than most of the nation, the Denver market is several months away from hitting bottom, said independent broker Gary Bauer, who prepares a monthly report on the Denver-area market. "I don't think we're close enough to pinpoint the bottom yet," Bauer said. **(Rocky Mountain News)**

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Survey: Denver is America's Most Popular City

If you live in Denver, know that you're envied. That's according to a national survey released Thursday by the Pew Research Center's Social & Demographic Trends project. It found that Denver is America's most popular big city -- both among people who live here and those who don't. Of those Americans surveyed, 43 percent say they want to live in the Denver area, more than any of the 30 cities on Pew's list. No. 2 on the list is San Diego (40 percent), followed by Seattle (38 percent) and Orlando, Tampa and San Francisco (tied at 34 percent). The least-favorite cities are Detroit (8 percent), Cleveland (10 percent), Cincinnati (13 percent), Kansas City (15 percent) and Minneapolis (16 percent). Denver area economic-development officials and business recruiters say frequently that a high opinion of the Mile High City around the country helps them in their tasks. Pew found that 46 percent of those surveyed would rather live somewhere else. Pew also found that: By a 3-1 ration, people want to live where the pace of life is slow and where neighbors know each other well. By about 2-1, they prefer to live in a hot-weather place over a cold-weather place. About 70 percent of whites rate their current community as "excellent" or "very good, but only about half of Latinos and 40 percent of African Americans say the same. Rural and suburban residents rate their communities better than do residents of cities and small towns. Pew's report is based on a telephone survey of a nationally representative sample of 2,260 adults, conducted Oct. 3-19. **(Denver Business Journal)**

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Colorado Job Picture Darkens in 2008

Colorado employers shed 100 nonfarm payroll jobs in December, the first time since 1974 that the state hasn't added jobs in that particular month, according to data released Tuesday. Meanwhile, the unemployment rate rose three-tenths of a percentage point to 6.1 percent, the highest it's been since August 2003. In December 2007, the unemployment rate was 4 percent. Colorado's unemployment rate remains below the national jobless rate, which was 7.2 percent in December. "Although we have weathered the myriad of economic woes afflicting the nation better than most states, mounting evidence suggests that Colorado entered recession in the last quarter of 2008," Donald Mares, executive director of the Colorado Department of Labor and Employment, said in a statement. Over the past 12 months, the state has lost 16,200 jobs, a decline of 0.7 percent. Six industries now employ fewer workers than at this same time last year. The worst decline has been a 11,500-job reduction in professional and business services over the past year, officials said. Payrolls have shrunk by 7,900 in trade, transportation and utilities, as well as in construction. Manufacturing payrolls are down 5,500 on the year; financial activities are down 4,800; and leisure and hospitality are off by 1,300. On the other hand, government, up 10,000, has seen the most growth. Education and health services has grown by 8,900, and the natural resources and mining industry has added 3,300 jobs over the past year. **(Denver Business Journal)**

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Buildings on Borrowed Time

U.S. Bank's timing to move out of the building at 918 17th St. about two years ago couldn't have been worse for Mike Komppa. The founder and president of Corum

Real Estate Group couldn't find another tenant for the historic 103,840-square-foot building. He carried it for more than a year, but with no cash flow he couldn't afford the loan payments. He listed it for \$15 million and had it under contract twice. But neither buyer could secure financing. Komppa was forced to give the property back to lender Capmark Finance in June. "We thought we could refinance it and do a renovation on the building . . . but financing just kept getting worse," he said. "We just kind of ran up the white flag and gave the lender back the building." Businesses leaving space vacant as they rein in spending are putting commercial real-estate owners nationwide in similar situations. Nationally, the amount of loans placed in special servicing, an indication of a delinquency or failure to pay off a mature loan, increased from about \$400 million in September to more than \$1.6 billion in November, according to a CoStar Group Inc. report. CoStar provides information and marketing services to the commercial real-estate industry. In Colorado, as of mid-December, there were 12 loans totaling \$76.29 million in special servicing. Banks own seven Colorado properties with an appraised value of \$26.57 million, according to CoStar. The amount of loans nationwide identified as having potential credit issues more than doubled from \$3.5 billion a month in May to about \$7.5 billion in November. The numbers have since started to decline. In Colorado, there are 131 loans totaling \$745.59 million with potential credit issues, according to CoStar Group. Among the commercial buildings in Colorado now owned by banks are the Colony Square II retail center in Louisville, Town & Country Business Park in Colorado Springs, and a building at 7797 E. 36th Ave. formerly occupied by Linens 'N Things. The situation isn't going to improve until jobs are created, said Jim Mulligan, a real-estate attorney with Snell & Wilmer. "It all starts with job creation," Mulligan said. "You really can't generate capital flow without jobs. If jobs are at risk, people aren't going to spend money, and they won't buy homes. Jobs breed consumer confidence, which breeds expenditure of capital, which breeds flow of capital. Right now it's all just constipated." While Denver's commercial real-estate market is softening, it's faring better than in many other cities because of strong market fundamentals, including lower vacancies and steady lease rates. Denver's office and industrial market have not been overbuilt, but the region may have an overabundance of retail space. At 14 percent, office vacancy rates are better than many cities, according to a report by CB Richard Ellis. In Phoenix, they're at 20 percent and in Dallas/Fort Worth at 21 percent. Average downtown office rental rates are at \$28.06 a square foot, compared with \$41.16 in San Francisco and \$31.75 in Houston. "Overall, Denver's diverse tenant mix in the CBD (central business district) and stable financial sector has led to a far healthier market than other regional cities," said Sam DePizzol, senior vice president at CB Richard Ellis. "Demand in 2009 will likely decrease from 2008 as most Denver companies are reticent to make long-term commitments. If firms don't have to do something, most likely they're not going to until the economic picture clears." The status of three buildings will be closely watched: Buildings at 707 17th St. and 717 17th St. are on the market, and the building at 1700 Lincoln St. also may be put up for sale. If they sell at prices well below the prices paid in 2006 and 2007, appraisers and lenders may revalue other properties, DePizzol said. That could create problems for other owners. Loan-to-value covenants in their documents could result in lenders' requiring increased equity or going to foreclosure. "If new owners purchase buildings at lower prices, they will have the ability to offer lower rents," DePizzol said. "That could have

the effect of bringing rates down across the board as owners compete for less tenant activity." At 8 percent, Denver's retail vacancy rate is about average, but vacancies are expected to increase as retailers continue to struggle. Of the commercial markets in Denver, retail has been the most negatively affected. Retailers including Circuit City, Linens 'N Things and Office Depot have closed stores, so owners of the shopping centers they occupied aren't getting paid, increasing the risk they won't be able to make loan payments. "I wake up every morning thinking, 'Whose bankruptcy are they going to announce today?' " said Marc Feder, director of the retail services group at Colliers Bennett & Kahnweiler Inc. "I think we all saw the writing on the wall with Circuit City, and I think you're going to see more of it." Shopping centers on the outskirts of the metro area are in more trouble than those closer in, just like the homebuilders they followed, Feder said. "There isn't critical mass to support them," he said. "Infill neighborhoods will be all right." Because most of the industrial space is devoted to distribution rather than manufacturing, Denver's industrial market has remained relatively stable, said Jim Bolt, executive vice president at CB Richard Ellis. "We're sort of bucking what appears to be the national trend of slowness," Bolt said. "We have a total of 5 million to 6 million square feet of users actively in the market." Nationwide, manufacturing job loss hit 793,000 in 2008, the worst year since the 1930s. **(Denver Post)**

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	CURRENT	1 MONTH PRIOR	1 YEAR PRIOR
FED FUNDS RATE	.25	.25	3.00
3 MONTH LIBOR	1.18	1.44	3.26
PRIME RATE	3.25	3.25	6.00
10 YEAR TREASURY	2.87	2.21	3.61
30 YEAR TREASURY	3.58	2.68	4.35