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

### Experts Don't Agree On 'R' Word

Opinions on whether the US can avoid recession, or if we're in one now, were widely varied during an International Council of Shopping Centers conference in South Florida last week. "I don't think we're going to see a technical recession, but I think the first half of this year is going to be challenging," says Hessam Nadji, managing director of research services with Marcus & Millichap in San Francisco. Nadji, one of several presenters and panelists during the three-day ICSC Conference on Open-Air Centers concluding Friday morning, notes that consumer wealth tied to homeownership remained a net positive last year compared with 2002 a point largely overshadowed by ongoing foreclosures. Peter Linneman, real estate professor at the University of Pennsylvania's Wharton School of Business in Philadelphia, is even more succinct: "I think this will be an OK year, but I think '09 will be a recession year." Milton Cooper, chairman and CEO of Kimco Realty Corp. in New Hyde Park, NY, believes we're already in a recession, largely due to an excess inventory of real estate loans being held by banks that are practically unwilling to finance new deals. "We're facing a liquidity problem that is different from the other times," Cooper told an audience of approximately 800 during Thursday's luncheon address at the Westin Diplomat conference center on Hollywood Beach. What others attending the annual OAC conference think may be a matter of perspective. By a show of hands, the vast majority believes current market conditions are comparable to the prior recession in 2001-03, yet few hands remained in the air when comparing now to the 1990-91 recession. Linneman, who presented the keynote address during the OAC luncheon and conducted an on-stage interview with Cooper, says lenders aren't likely to loosen their grip on capital availability until they regain their trust of developers, especially those behind the current condo overstock. "Capital has gone on strike," Linneman told the audience. "Don't cross the picket line." He advises waiting at least six months to approach financial institutions, allowing enough time for recent Federal Reserve interest rate cuts to take hold, and notes that CEO changes at those lenders might also help in the long run. While open-air or "lifestyle" shopping centers are still favored by retail developers over indoor malls, some of them are becoming unnecessary and should be shelved, according to one executive. Nearly 200 lifestyle centers across the country were promoted at ICSC's popular spring convention in Las Vegas last May, all clamoring for the top tenants in their respective regions and communities. Those struggling to win leases should view that as a sign that they shouldn't proceed with construction, says Mark Fallon, VP with Jeffrey R. Anderson Real Estate Inc. in Cincinnati. Retail developers are better off not wasting their money, regardless of how optimum their sites might be, he says. "Do us all a favor and don't go to Vegas," Fallon remarked during a town hall meeting on lifestyle centers, drawing a rousing reaction from those in attendance. **(Globest.com)**

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### Commercial Property Sales Slow to a Crawl

Year-over-year sales volume in major commercial property sectors took a tumble in January, as buyers and sellers grew farther apart in their pricing expectations, showing a clear lack of portfolios up for grabs, the kind that drove 2007 sales volume into record territory. In the office market, portfolio sales amounted to only \$413 million in January, well below the \$10.1 billion recorded a year earlier, according to New York-based research firm Real Capital Analytics. Last January, 42 office

properties traded for \$100 million or more while this year, only eight such properties traded hands. Typically strong Manhattan saw closings drop to \$613 million from \$6.14 billion a year ago, but a reported \$5 billion of Manhattan office buildings are under contract and more are in play, including the G.M. Building. San Francisco was the only U.S. market to post an increase in office sales in January. While cap rates continue to rise and prices look set to fall, a wide chasm remains between what buyers are willing to pay and what sellers are willing to accept. But sellers continue to put properties on the market. More than \$10 billion of office properties were put up for sale in January, the highest amount since September 2007. And based on listings so far, the volume of offerings in February will be even higher, when the figures become available. In the industrial sector, it's much the same story. For the first time in three years, monthly sales of significant industrial properties fell below the \$2 billion level. Total closings in January of \$1.7 billion represent a 65% drop from a year ago. Tellingly, few new transactions went under contract in January and sales may fall even lower in February. Apartments fared no better, with sales of significant properties barely topping \$3.5 billion in January, which represents a steep, 47% drop from a year ago. Monthly volume has not been that low since early 2004, but it did nothing to deter sellers, as a near record \$7.6 billion of apartments were put on the market for sale in January, an 84% increase from a year ago. Across all property types, sellers have been able to resist lower prices so far, but the pressure to sell will increase over time, says Robert White, president of Real Capital Analytics. Several trends are at work. While equity capital for property in the United States remains plentiful, the buying hiatus is likely to continue. Economic uncertainty has replaced the credit crunch as the major driver of the continuing slowdown in property sales. "In most cases, it is not due to scarce credit, but because investors cannot yet be certain that the worst is over," says White. **(National Real Estate Investor/Ben Johnson)**

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### **Buyer Takes off with United Launch Building**

A buyer took off with the United Launch Alliance headquarters in Centennial. Pacifica Companies LLC bought the 160,572-square-foot building at 9100 E. Mineral Circle for \$27 million. It was the first Denver-area acquisition for the company, which is actively pursuing other assets here. "We like the location of the building. We're pretty hot on the southeast submarket for the long-term prospects," said Eric Helwig, director of acquisitions for Denver. The seller, Behringer Harvard REIT I Inc., had owned the building since 2004. It secured the lease with the United Launch Alliance about a year ago. **(Colorado Real Estate Journal)**

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### **Employers Slash 63,000 Jobs in Feb.**

Employers slashed 63,000 jobs in February, the most in five years and the starkest sign yet that the country is heading dangerously toward recession or is in one already. The Labor Department's report, released Friday, also indicated that the nation's unemployment rate dipped from 4.9 percent in January to 4.8 percent last month as hundreds of thousands of people — perhaps discouraged by their prospects — left the civilian labor force. Job losses were widespread, with hefty cuts coming from construction, manufacturing, retailing, financial services and a variety of professional and business services. Those losses swamped gains elsewhere, including

education and health care, leisure and hospitality and the government. The latest snapshot of the nation's employment climate underscored the heavy toll of the housing and credit crises on companies, jobseekers and the overall economy. To provide relief to persistent credit problems, the Federal Reserve announced Friday that it will increase the amount of loans it plans to make available to banks this month to \$100 billion. It has already provided a total of \$160 billion in short-term loans to cash-strapped banks since the auctions began in December. Another Fed step will involve making \$100 billion available to a broad range of financial players through a series of separate transactions. On Wall Street, the Dow Jones industrials were down by nearly 90 points in early afternoon trading as the Fed's actions helped to blunt worry about the eroding jobs situation. The Labor report also showed that January's job losses were worse than the government first reported. Employers cut 22,000 //jobs, versus 17,000. It was the first monthly back-to-back job losses since May and June 2003, when the job market was still struggling to recover from the blows of the 2001 recession. The health of the nation's job market is critical in shaping how the overall economy fares. If companies continue to reduce hiring, that will spell more trouble. "It certainly solidifies the notion that the economy has fallen into a recession," said Ken Mayland, economist at ClearView Economics. Friday's report was much weaker than economists were expecting. They had been forecasting employers to boost payrolls by around 25,000. However, they were also expecting the jobless rate to edge up to 5 percent. The reason why the jobless rate went down, rather than up, is because so many people stopped looking for work and left the labor force. President Bush's top economic adviser, Edward Lazear, acknowledged Friday that it's possible the economy shrank in the current January-to-March quarter. A growing number of economists think that will be the case, however, Lazear's comment was the most pessimistic assessment heard out of the White House. He would not discuss whether the White House is predicting the economy will actually fall into a recession. Some economists think it already has. "We are disappointed any time you see a number showing lost jobs," Commerce Secretary Carlos Gutierrez told The Associated Press. "This is consistent with a slowdown," he said. Still, he was hopeful that the recently enacted economic stimulus package forged by the White House and Congress will help bolster the economy in the second half of this year. Workers with jobs, however, saw modest wage gains. Average hourly earnings for jobholders rose to \$17.80 in February, a 0.3 percent increase from the previous month. That was on target with economists' forecasts. Over the last 12 months, wages were up 3.7 percent. With high energy and food prices, though, workers may feel squeezed and feel like their paychecks aren't stretching that far. With the economy losing momentum, fears have grown that the country is on the brink of its first recession since 2001. Economic growth slowed to a near standstill of just a 0.6 percent pace in the final quarter of last year. Many economists predict growth in the January-to-March quarter will be worse — around a 0.4 percent pace. Some believe the economy is shrinking now. Spreading fallout from the housing and credit debacles are the main factors behind the economic slowdown. People and businesses alike are feeling the strains and have turned cautious. Adding to the stresses on pocketbooks, budgets and the economy: skyrocketing energy prices. Oil prices have set a string of record highs in recent days. Gasoline prices have marched higher, too. To help shore up the economy, Federal Reserve Chairman Ben Bernanke signaled last week that the central bank is prepared to lower interest rates again. Economists predict another cut on March 18, the Fed's next meeting. The Fed, which has been slicing the rate since September, recently turned more forceful. It slashed the rate by 1.25 percentage points in the course of just

eight days in January — the biggest one-month reduction in a quarter century. The White House and Congress, meanwhile, speedily enacted an economic relief package, including tax rebates for people and tax breaks for businesses. That — along with the Fed's rate cuts — should help give a lift to the economy in the second half of this year, says Bernanke. Still, unemployment is expected to move higher this year. The Federal Reserve predict the jobless rate will rise to as high as 5.3 percent in 2008. Last year, the unemployment rate averaged 4.6 percent. All the economy's troubles are putting people in a gloomy mood. According to the RBC Cash Index, confidence sank to a mark of 33.1 in early March, the worst reading since the index began in 2002. **(Denver Post)**

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	<b>CURRENT</b>	<b>1 MONTH PRIOR</b>	<b>1 YEAR PRIOR</b>
<b>FED FUNDS RATE</b>	3.00	3.00	5.25
<b>3 MONTH LIBOR</b>	2.94	3.10	5.34
<b>PRIME RATE</b>	6.00	6.00	8.25
<b>10 YEAR TREASURY</b>	3.56	3.60	4.51
<b>30 YEAR TREASURY</b>	4.55	4.35	4.65