

March 30, 2009

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

Office Market Suffers Little from Offshoring

Despite fears to the contrary, the offshoring of US jobs has relatively little impact on the office market here, a new report says. The study by Boston-based Torto Wheaton Research points out the concerns that many commercial real estate investors have that offshoring of US jobs could mean fewer domestic jobs, which in turn could translate to a loss in demand for space. The Torto Wheaton report concludes, however, that "Despite arguments to the contrary, offshoring to India and China does not appear to have had a significant impact on the unemployment rate." The report, authored by economist Umair Shams, cites statistics suggesting that offshoring's effects on the economy—including loss of jobs—"has been very minimal, if not insignificant." The study of office space absorption figures "suggests that offshore outsourcing has no significant impact on demand for office space," the report states. The Torto Wheaton study looks at a recent study of offshoring to the emerging economies of India and China between 1996 and 2005 and how that offshoring has affected the business, professional and technical Services (BPT) sector of the US economy. The study found that exporting BPT services had some effect on unemployment, but the effect was small. "The results also highlight the strength of US BPT service exports, which continue to perform well, even relative to China and India—countries that are often seen as competitive threats to the US because of their increasingly skilled but low-wage labor pool," the Torto Wheaton study notes. In fact, between 1988 and 2007 the BPT sector has typically run a trade surplus, despite increases in offshoring. One of the conclusions from the statistical study is that any loss in jobs due to offshoring from the US "should be at least offset by jobs created through foreign demand for services," Torto Wheaton's research shows. But it also points out that some US jobs are lost due to offshoring. Official data on job losses due to offshoring has been difficult to obtain, but in 2004 the Bureau of Labor Statistics began tracking this in its Mass Layoff Statistics program. The Bureau of Labor Statistics report includes layoffs from all non-farm private employers, but does not break down the data by employer type, which is crucial to know in order to determine the effect on real estate demand. A breakdown of employer type would provide detail on which office employment sectors lost jobs due to offshoring. Even though such data is not available, "Some very useful insights can be taken away from the BLS results," Torto Wheaton says. For example, of the mass layoffs since 2004, some 64,657 were due to jobs being moved to other countries. In the same period, the national economy created a net 2.7 million new jobs. "The jobs that have been lost due to offshoring, then, are only a very small fraction of the labor force and of jobs created," the Torto Wheaton study concludes. The study advises that, when considering the effects of offshoring, "It is important to look at both sides of the equation. US employees might be at risk of losing jobs to low-wage destinations like India and China, but foreign companies still demand high-tech US services, which has the potential to create jobs at home. "This should help ease any investor concerns about offshore outsourcing causing job losses and eventually losses in demand for office space at home," the study says. **(Globest.com)**

...

Fees, Waits Compared on Front Range Permits

Fees for commercial building permits and plan reviews in 20 Front Range cities and counties range from a high of \$72,465 in Boulder County to a low of \$31,275 in

Greeley, according to a study released Wednesday by the Colorado State University Everitt Real Estate Center. Estimated approval times of building plans range from three to five days in Greenwood Village to 10 weeks in Westminster. The study, funded by the Colorado chapter of the Society of Industrial and Office Realtors, examined approval times and fees for a hypothetical \$8.3 million, 51,000- square-foot office building and an \$8.4 million, 100,000- square-foot industrial warehouse. "Hopefully, we'll see the process improve in places where the study points out improvements can be made," said Peter Kast, a broker and partner with Realtec in Fort Collins. "Regions that do this well are going to get more business in the next few years." The length of time it takes to gain approval for a project is increasingly important in today's economic environment, said Steve Laposa, director of the Everitt Real Estate Center. Most projects occurring now are capital improvements to existing buildings and upgrades to spaces for new tenants. If cities don't grant permits in a timely fashion, they risk losing businesses. "Even as the economy starts to recover, construction will lag five quarters," he said. Included in the study were Arvada, Aurora, Boulder, Brighton, Castle Rock, Fort Collins, Golden, Greeley, Greenwood Village, Littleton, Longmont, Loveland, Westminster and Arapahoe, Boulder, Broomfield, Denver, Douglas, Jefferson and Larimer counties. **(Denver Post)**

...

The Economy: Is This Mess Over?

YES: Good signs found on Main Street, Wall Street

NO: Bad news seen in layoffs, falling home prices

Glimmers of hope for the economy — better home sales and higher demand for goods, plus optimism from the White House and a nearly 20 percent rally in stocks — have some people thinking the worst may be over. Not so fast, say many economists. Layoffs are still mounting and home prices are still falling in an economy shrinking at an alarming rate. A recovery anytime soon doesn't seem likely. "We may be seeing the end of the beginning of this recession, but it is not the beginning of the end of the downturn," said David Wyss, chief economist at Standard & Poor's in New York. Still, the recent news has been better than expected. On Wednesday, the Commerce Department said demand for big-ticket manufactured goods, which had fallen for six months in a row, rose by 3.4 percent in February. And reports this week have shown sales of both new and previously occupied homes rising by about 5 percent last month. On Wall Street, the landscape looks better. The Dow Jones industrials gained about 90 points Wednesday to close a fraction of a point under 7,750 — an 18 percent rally from its low point March 9. President Barack Obama struck a more hopeful tone during his televised news conference Tuesday night. "We're beginning to see signs of progress," Obama said, adding that Americans should have "renewed confidence that a better day will come." Michael Orlando, an economist with Economic Advisors in Denver, believes Colorado should exit any recession about the same time as the rest of the nation, even though by some estimates it entered nine months later. Restrained home-price gains, stronger job prospects and solid demographics delayed Colorado's downturn and will help shorten it, Orlando said. "My guess is even though we lagged the nation coming into the recession, we are going to be along with the nation or better coming out of it. I'm optimistic," he said. But he said investors shouldn't translate the sharp rise in stock values as a prediction that a recovery has started. Mohammed Akacem, an economics professor at Metropolitan State College of Denver, doesn't see the

economy exiting the woods until the end of the year. "We can't celebrate yet," he said. "It is too early." Forecasts from the nation's top economists, which once called for a recovery starting in June, have pushed a recovery out to October, Akacem said. Even Federal Reserve Chairman Ben Bernanke said on "60 Minutes" that a rebound may not arrive until late this year. However, Nariman Behravesh, chief economist at IHS Global Insight, said the economy "may be approaching a bottom." "The good news is that we don't have the sort of unrelentingly persistent declines we had been seeing," he said. The gross domestic product fell at an annual rate of 6.2 percent in the fourth quarter. Behravesh expects an even more severe decline for this quarter but a slight positive in GDP by the fourth quarter. **(Denver Post)**

...

BLS: Colorado Unemployment Jumps to 7.2% in February

Colorado's unemployment rate jumped six-tenths of a point to 7.2 percent in February, but was almost a percentage point lower than the national rate, the federal Bureau of Labor Statistics reported Friday. The U.S. jobless rate was 8.1 percent in February, 3.3 percentage points higher than a year ago. Colorado's unemployment rate is now at its highest level in 21 years, since February 1988. The historical high is 9.1 percent, reached in November 1982. The low is 2.5 percent in January 2001, just before the dot-com bubble burst. **(Denver Business Journal)**

...

	CURRENT	1 MONTH PRIOR	1 YEAR PRIOR
FED FUNDS RATE	.25	.25	2.25
3 MONTH LIBOR	1.22	1.26	2.70
PRIME RATE	3.25	3.25	5.25
10 YEAR TREASURY	2.78	2.80	3.48
30 YEAR TREASURY	3.62	3.50	4.31