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### What Fire Sale?

While the nation's credit markets and economy might appear to be in a freefall, sellers of office properties continue to toe the line on pricing, stubbornly refusing to give up record-high valuations gained over the past three years. But the question begs, "How long before the pressure builds and sellers slash prices?" asks Robert White, president of New York-based research firm Real Capital Analytics. According to the firm's newly released numbers, February office sales amounted to a measly \$2.5 billion, which is a 45% decline from January, a 95% drop from a year earlier and the lowest monthly volume total in five years. While early 2007 sales figures are skewed a bit thanks to the huge privatization of Equity Office Properties Trust, the early-2008 metrics point to continued buyer skittishness. During the first two months of the year, office sales totaled \$6.8 billion versus some \$20 billion in properties brought to market. The slow volume speaks to the widening bid/ask spread between buyers and sellers, with new listings outpacing closings by 4-to-1 in February and 3-to-1 in January. And tellingly, the deals getting done are considered more "core" or stabilized assets rather than value-added properties. "There is a big difference between wanting to sell and needing to sell a property," says White. "In the current market, sellers aren't yet pressured into accepting too much of a discount in price which is a primary reason why volume has sunk to such low levels." Even for those deals getting done, financing sources have all but dried up. White cites only insurance companies and foreign investors as active participants in the office markets. He also points to several U.S. markets with the highest inventories, including Sacramento, South Florida, Southern California, Northern New Jersey, Houston, Dallas and Manhattan. Private equity funds, the most aggressive buyers of office buildings in 2007, may come under the most pressure to sell this year, given their penchant for short-term holding periods. Institutional investors generally have a longer time horizons and will likely ride out the present storm. White cites two "safe haven" property sectors for investors — medical office and single-tenant properties. Some \$5 billion in medical office sales were recorded in the past 12 months, pushing the sector's share of the overall office market over 6% for the first time since 2004. Single-tenant office sales are also on the rise, returning to levels not seen since 2004. "The bond-like nature of single-tenant office has made this niche attractive as it is less exposed to downside risks in the economy," says White. **(National Real Estate Investor/Ben Johnson)**

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### Index Points to Slowdown in Construction

After months and years of positive growth, a key indicator of commercial construction activity has dropped nine points. According to recent statistics from a monthly survey produced by the American Institute of Architects Economics & Market Research Group, commercial real estate construction activity will slow over the next nine months. For February 2008, the AIA Architecture Billings Index was down nine points to 41.8, its lowest reading since October 2001. "This is a clear indication that there could be tougher times ahead for design firms and a noticeable slowdown in commercial construction projects coming online in the foreseeable future," says Kermit Baker, chief economist for the American Institute of Architects. Any reading above 50 is seen as an indication that activity is increasing. The index shows about a nine to 12 months lag period between architecture billings and construction

activity. The index is based on a survey sent to a group of architectural firms about whether their billings have gone up or down in the last month. Higher billing activity today is seen as an indication that more architects are billing for services, which means that more construction activity lies ahead. On a regional basis, the index shows the Northeast at 51.5, the South at 48.3, the West at 46.3, and the Midwest at 42.6. Also, the multifamily sector is at 46.6, the mixed-use sector reading is 43.9, and the reading for the commercial/industrial sector is 40.6. Billing activity for institutional projects shows a 54.9 reading. **(National Real Estate Investor)**

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### **Group Buys Sherman Center for \$12 Million**

The investment entity 789 Sherman St LLC acquired the 96,160-square-foot Sherman Center office building at 789 Sherman St. in Denver from Sherman Center St LLC for nearly \$11.88 million, or about \$123.50 per square foot. The rate of capitalization was 6%. The cap rate was based on income in place at closing and yields a net operating income of \$712,500. The property was 82% occupied at the time of the sale by approximately 21 tenants. The buyer plans to occupy a portion of the building. Ben Gilliam of Frederick Ross represented both the seller and the buyer. **(CoStar)**

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### **Colorado Leads Most states in Employment Growth**

Colorado ranked fifth for percentage increase in employment during the past year, the federal Bureau of Labor Statistics said Friday. Colorado's 2.1 percent increase between February 2007 and February 2008 puts the state behind Wyoming, Texas, Utah and Washington for employment growth. Wyoming's growth rate was 3.1 percent. Preliminary numbers for February 2008 show Colorado added 46,000 workers during the past year, bringing the total number to 2.35 million. The Colorado Department of Labor and Employment on Friday issued more exact numbers, reporting an increase of 47,200 workers and a total work force of 2.33 million. The numbers supplied by the state and federal governments are seasonally adjusted. According to the state's count, during the past year:

- government gained 10,700 jobs
- leisure and hospitality added 9,000 jobs
- education and health services, along with trade, transportation and utilities, and professional and business services each added slightly less than 9,000 jobs

The smallest industry sector in Colorado -- natural resources and mining -- added 3,200 jobs. Total nonfarm wage and salary employment in Colorado increased by 13,100 in February. Nonfarm refers to goods-producing, construction and manufacturing companies. The number of Coloradans in the labor force in February fell by 7,200 from the month before. The civilian labor force is defined as those people 16 years or older who are working or who are unemployed but actively seeking work. Unemployment in Colorado rose by 4,800. The unemployment rate of 4.4 percent is the highest it's been in 18 months, according to the state. The unemployment rate around the state ranged from a low of 2.4 percent in Pitkin County to a high of 11.6 percent in San Juan County. **(Rocky Mountain News)**

	<b>CURRENT</b>	<b>1 MONTH PRIOR</b>	<b>1 YEAR PRIOR</b>
<b>FED FUNDS RATE</b>	2.25	3.00	5.25
<b>3 MONTH LIBOR</b>	2.70	3.08	5.35
<b>PRIME RATE</b>	5.25	6.00	8.25
<b>10 YEAR TREASURY</b>	3.47	3.85	4.65
<b>30 YEAR TREASURY</b>	4.33	4.62	4.84

