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Some Retailers Expanding

It seems like the news has been dominated by store closing announcements. But there are retailers still expanding. RBC Capital Markets has begun to track projected retailer store openings in a new monthly report. According to data the firm has collected, 2,000 retailers plan to open 64,939 stores in the next 24 months. Overall, that's a 7 percent drop from January, but up 1.7 percent from February. The high number of store openings for the database occurred in October 2008 at 71,956. Some highlights from the report include the nugget that typical mall store tenants look to open 21,077 stores, down from 22,000 previously. Apparel stores look to open 4,935 stores, down from 5,500 previously. Big box stores, the most heavily impacted by bankruptcies so far in 2009, look to open 4,324 stores. (That figure does not include Wal-Mart or Target, however, who currently are not tracked in RBC's database.) The retail categories showing the largest number of planned store openings over the next 12 and 24 months are still food related, followed by salons/health, banking, and family apparel. **(Retail Traffic)**

FDIC Sells \$1.2Bln of Commercial Mortgages for 61.8 Percent of Face

Since late last year, FDIC has sold some \$1.2 billion of commercial mortgages on the secondary market, recovering \$769.3 million, or 61.75 percent of their balance. That doesn't include the agency's five structured sales, through which it has sold another \$3.2 billion of its hardest-to-sell assets, such as residential and commercial land and construction loans. The agency's recovery rate was bolstered substantially by the \$702 million of loans classified as performing that it sold. Those fetched \$556.4 million, or 79.3 percent of their balance. On the other hand, FDIC sold \$304.5 million of loans that it and its advisers had classified as nonperforming, for \$100.9 million, or 33.1 percent of their balance. Another \$228.8 million of the loans it sold were classified as subperforming. Those sold for \$106.1 million, or 46.4 percent of face. The agency has been making loan-sales results available since late last year. But it includes residential loan sales in those results. Commercial Real Estate Direct has picked through those results to identify only the sale of loans on commercial and multifamily properties. But because FDIC classifies multifamily loans as residential loans, some loan results might have been omitted. Nonetheless, since late last year, the agency has sold 6,500 commercial mortgages. The agency does not classify what type of collateral backs each of the loans it sells. Given the average size of the loans sold, most are likely to have been business loans with some sort of real estate as collateral. The bulk of FDIC's loan sales have been conducted through DebtX of Boston and First Financial Network of Oklahoma City. But the two, who signed five-year agreements with the agency, will soon have company. Because of the expectation that an increasing number of banks will fail in the coming months, FDIC earlier this year put out a request for proposals to 27 other prospective loan-sales advisers. Those contractors had turned in their proposals in February and have yet to hear of the agency's selections. The fact that the FDIC has managed to recover 61.75 percent of face value for commercial mortgages from failed banks is a solid indicator that, as its advisers have said, demand remains strong for loans on the secondary market. Indeed, 74 investors divvied up the 6,500 loans that were sold. Those loans were sold through 180 transactions. The list of investors that succeeded in buying loans includes some names that were very active buyers of

distressed loans during the savings and loan crisis. Among them: FH Partners, an affiliate of FirstCity Financial Corp. of Waco, Texas, which has purchased \$99.4 million of loans, and LNV Corp. of Plano, Texas, which has acquired \$269 million of loans. LNV is an affiliate of Beal Bank, which has been very active in the secondary loan-sales market since before the RTC days. It also has been an active buyer of loans from the U.S. Department of Housing and Urban Development. The loans sold were taken from 13 failed banks. **(Commercial Real Estate News)**

Real-Estate Industry Pushes Fed to Lengthen TALF Terms

The real-estate industry is lobbying the Federal Reserve for modifications to a bailout program that the industry said may avert a wave of commercial-property defaults. Real-estate owners and investors who have talked to the Fed predict the central bank will begin offering some five-year loans under the government's Term Asset-Backed Securities Loan Facility, or TALF. That is longer than the three-year loans being offered. While it may be a small change, the length of loans is a critical matter to the Fed, which prefers to make short-term loans. Longer-dated loans could make it more difficult for the Fed to fight inflation, as the bank can't pull back the money injected into the economy. Real-estate investors, however, said the longer-term debt is critical to saving the commercial real-estate business, which faces a record amount of debt coming due in the next three years. Industry observers are expecting the delinquency rate to double by the end of this year and go higher next year. Problems could be magnified if the credit drought continues and owners of even healthy properties are unable to refinance. Fed officials declined to comment on details, and some people familiar with the talks said that no decisions have been made yet. Industry executives are hopeful that the Fed will announce the program modification and other details by the end of the month. The Treasury Department also has said that the Fed is working to ensure that the duration of the TALF loans "take into account the duration of the underlying assets." TALF makes low-cost loans available to investors who buy securities backing everything from credit cards to auto loans. Anticipating that TALF will be modified, a number of investment firms, including BlackRock Inc., Prudential Financial Inc. and ING Groep NV unit ING Clarion Partners LLC, are positioning themselves to use the TALF program to buy high-quality commercial mortgage-backed securities, or CMBS. Some of them aim to raise billions of dollars for that purpose. Commercial-property debt is expected to be one of the most attractive TALF-eligible assets, because it is collateralized by office buildings, malls, warehouses and other income-producing real estate. It is perceived as less risky than consumer credit such as credit-card debt and car loans. "We're gearing up to raise funds" to tap into the leverage offered by TALF to buy highly rated CMBS bonds, said Steve Switzky, a managing director and portfolio manager at BlackRock. Industry executives hope that the TALF effort will resurrect the CMBS market. In 2007, about \$230 billion of securities were sold. That number dropped to zero by last summer. The dearth of financing has frozen sales and sent values plummeting, setting the stage for another wave of defaults that could cripple some banks and other lenders. The first TALF-eligible deals, involving securitized car loans and credit-card cash flows, began in March, but investor response to the program has been anemic. Investors applied for just \$1.71 billion in loans on Tuesday in the second round of TALF, according to the central bank. That follows applications for \$4.71 billion last month. Obama administration officials have been promising for weeks that the TALF would be expanded to include commercial real estate. But

details have been sketchy and have been a subject of debate between policy makers and the private sector. "We're continuing working with market participants," said a New York Fed spokeswoman, who declined to comment on any specifics. The \$700 billion market for existing CMBS, which is as big as the markets for securitized auto loans, credit cards and student loans combined, has rallied in the past two weeks on hopes for TALF. Yields on the highest-quality CMBS bonds have fallen to 12% from 14% one month ago, according to Trepp LLC, which tracks the commercial-property debt market. Bringing down the yields on existing debt is critical to spark new lending, said market participants, because investors can buy top-rated CMBS bonds that offer yields close to that of junk bonds. Those higher yields crowd out the market for new issues. "With triple-A CMBS currently yielding as much as 15%, this doesn't bode well for property values," said Jim Higgins, chief executive officer at Sorin Capital Management, a Stamford, Conn., hedge-fund firm that is interested in participating in the TALF program. Policy makers believe it is critical to get credit flowing to the \$6.5 trillion real-estate industry. Defaults likely would rise if borrowers were unable to refinance loans as they become due. But commercial real estate also has presented a conundrum for the Fed, because most real-estate loans are made for more than five years. Fed officials are hesitant to getting locked into long-term obligations. Earlier this year, the Fed reluctantly stretched the TALF's duration to three years from one. The possibility of extending it further has made some regulators uneasy. But in meetings and phone calls with New York Fed officials, who are leading the TALF effort, commercial real-estate executives and CMBS investors have pressed them to extend the program's term. "TALF is going to be the first step in freeing up the liquidity and breaking the logjam" in the commercial real-estate debt market, said Gayle P. Starr, head of capital markets at AMB Property Corp., one of the nation's largest owners of industrial properties. **(Wall Street Journal)**

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Economists: Colorado's Pain Won't Abate Before 2010

Colorado may begin to pull out of recession as early as the end of this year, but significant job creation won't kick in before 2010, top local economists Tucker Hart Adams and Rich Wobbekind said Tuesday night. "When does the recession end? Not until the first quarter of next year," said Adams, president of The Adams Group in Colorado Springs. "When does it start feeling good again to most of us? Probably 2011." Wobbekind, director of the Business Research Division at the University of Colorado-Boulder's Leeds School of Business, was slightly more optimistic. "In terms of employment, I think we go through pretty much the entire year in a negative trend. You're not going to see employment uptick until 2010," Wobbekind said. Both economists made their remarks after participating in the Colorado Economic Policy Summit at Johnson & Wales University in Denver on Tuesday evening. Last December, Wobbekind forecast that Colorado would lose roughly 5,000 jobs in 2009, the seventh time since 1939 that the state has experienced year-over-year net job loss. But on Tuesday, Wobbekind said his annual forecast was probably optimistic. Although it hasn't officially been revised -- he typically publishes a mid-year revision in early July -- he said Tuesday that he thought Colorado probably would shed closer to 20,000 jobs in 2009. "A couple of the sectors have been really disappointing so far compared to what we had anticipated, particularly professional and business services," Wobbekind said. In terms of output, Colorado's economy probably will begin to improve along with the national economy in the second half of 2009, particularly in the fourth quarter of the year, he said. But job growth, a lagging

indicator in any recession, won't begin to pick up until months later, he said. The federal economic stimulus package should help prevent some Colorado job losses, particularly in construction, he said. Colorado's per-capita share of the stimulus package is relatively low compared with other states. "But there is a lot of other money in the administration's budget that could potentially be very positive for Colorado, particularly alternative energy and the education money that's there," he said. "We're in the running as one of the potential states to receive some of the education funding, ... so there might be some potential there." (**Denver Business Journal**)

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	CURRENT	1 MONTH PRIOR	1 YEAR PRIOR
FED FUNDS RATE	.25	.25	2.25
3 MONTH LIBOR	1.13	1.31	2.72
PRIME RATE	3.25	3.25	5.25
10 YEAR TREASURY	2.96	2.92	3.53
30 YEAR TREASURY	3.76	3.66	4.35

