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A Denver Based Commercial Real Estate Investment and Management Company
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NBS Real Estate Buys Westminster Buildings

NBS Real Estate Capital LLC acquired an office portfolio at 121st Avenue and Pecos Street in Westminster for \$12.25 million. The acquisition included two buildings totaling 117,705 square feet, plus 2.52 acres of land entitled for future development. Global Crossing leases one of the buildings, a 62,100-sf structure at 1499 121st St. The other three-story building, located at 12110 N. Pecos, is leased to six tenants that include Verint Video Solutions, Stewart Title, and corporate offices for AIG and State Farm Insurance. Seller iStar redeveloped the building into multitenant space a couple of years ago. **(Colorado Real Estate Journal)**

Fitch: Commercial Real Estate Loans to Weaken as Economy Slows

Since the fourth quarter of 2007 when the commercial mortgage-backed securities market effectively seized up, there has been concern that lax underwriting in residential lending would bleed over into commercial real estate loans. Furthermore, if the latter underwriting was indeed less than stellar, how much exposure would U.S. banks and brokers face from commercial real estate loans? According to a recent report by Fitch Ratings, "Commercial real estate and CMBS exposures will likely exacerbate credit problems at U.S. banks, many of whom are already facing significant risk from troubled residential real estate exposures." As of the fourth quarter of 2007, losses on large bank commercial real estate loans had expanded to 48 basis points, up from 7 basis points in the previous eight quarters — largely attributable to the risky construction sector. Fitch expects losses for all commercial real estate loans to increase by 75 basis points on average beyond fourth-quarter levels. In context, construction loan delinquency rates typically average about 60 basis points, but were up to 3% in the fourth quarter of last year. "Individual performance at the large banks in 2008 will ultimately depend on each company's diversification by property type, the quality of underwriting and stress testing, market conditions, geographic dispersion and loan loss reserves allocated for commercial real estate," researchers state in the report. Of the five major sectors, office makes up 31% of CMBS collateral followed by retail (30%), multifamily (17%), hotel (9%) and industrial (5%). As far as recessions go, the good news this time around is that the office sector was not overbuilt as it was in the late 1980s. Metro areas with the highest current vacancy rates include Atlanta at 21.3% and Dallas-Fort Worth at 20.9%. The outlook for the retail sector, which makes up 30% of CMBS collateral, is much weaker. "New space is being completed at a much faster rate than can be absorbed, and this trend will accelerate during the current year," reports Fitch. The trend has resulted in vacancy rates of up to 11.4% in Memphis followed closely by 10.8% vacancy rates in both New Orleans and Jacksonville, Fla. The most overbuilt residential markets, including certain Florida cities, the Inland Empire and Sacramento in California, may also experience weakness in retail. The sickly trends in residential will have an invigorating effect on multifamily, which makes up 17% of CMBS collateral. In short, when people lose their homes or find homes unaffordable, they rent. The highest vacancy rates in this sector are currently in Houston (11.4%) and Raleigh, N.C. (10.8%). One question mark for multifamily remains the shadow supply of failed condos that could be converted into apartment projects. Unlike office, retail or multifamily, the key driver in the hotel sector is GDP, the font of business and leisure travel. If GDP indeed does decline, so will hotel

occupancy rates. Hotels make up 9% of CMBS collateral. Despite supply that outstrips demand in both 2007 and 2008, however, the outlook for the lodging sector is relatively stable. The reason? Few new rooms were added in the post-9/11 years and as a result revenues per available room will likely climb higher. And finally the industrial sector, which makes up 5% of CMBS collateral, is dependent upon global trade, which is likely to enjoy continued growth in the near future due to the weak dollar. This sector, reports Fitch, has seen some slight overbuilding but the upward pressure on vacancy is not expected to be severe. So where is CMBS performance and activity headed? "Certain players may retrench their activities somewhat, particularly over the near term, in light of the current dislocations," Fitch reports. "However, over the longer term, this type of activity fits into banks' core underwriting and funding strategies. For brokers, this activity remains a key part of their distribution-focused product offering to institutional investors." **(National Real Estate Investor)**

State Attracts \$355 Million in Space Funds

Colorado is one of the nation's largest recipients of NASA space- exploration dollars. The federal space agency spent \$354.6 million on Colorado-based contracts last year, putting the state No. 8 nationwide for NASA contract funding, according to the space agency. Nearly \$200 million went to Lockheed Martin Corp., which is designing and developing NASA's Orion spacecraft to take astronauts to the moon and Mars. Other big recipients of NASA dollars included Ball Aerospace & Technologies Corp. and the University of Colorado, the nation's single largest recipient of NASA university research dollars. "Colorado will continue to be a big player in space," Richard Gilbrech, associate administrator for NASA's exploration systems. He told reporters this week at the Space Symposium here that NASA has "a lot of involvement with Colorado, and we'll continue that." Texas - home of NASA's Johnson Space Center in Houston - came in No. 1 last year in NASA spending, receiving \$3.5 billion in contract dollars. California was the No. 2 recipient, at \$3.3 billion, followed by Maryland, at \$1.5 billion. A NASA spokeswoman noted that while companies and institutions in the states receive the NASA payout, some of the actual work might be done elsewhere. In the case of Lockheed Martin, the company's space systems division here is overseeing the Orion contract, although some of the work is being done in other locations, including Texas. A NASA document focusing on Colorado - and supplied to the Rocky Mountain News - says the state "plays an integral role in NASA's mission." The document also notes that Colorado "is playing a vital role in creating" NASA's \$8.2 billion Orion spacecraft. "Mainly the engineering and design work is happening here," Gilbrech said. In addition to Lockheed Martin, NASA said other companies with Colorado operations that are involved in Orion work here include: Arcata Associates Inc. and Orbital Sciences Corp., both in Lakewood; and Honeywell International Inc. and Paragon Space Development Corp., both in Denver. NASA also said Kaman Aerospace Corp. in Colorado Springs is working on the upper-stage engine of the booster rocket intended to take Orion into space. NASA spokeswoman Stephanie Schierholz said, "While Orion is getting a significant amount of money, most of the dollars that go to Colorado's universities and to Ball Aerospace are in support of all four divisions of NASA's Science Mission Directorate." Those divisions are planetary science, astrophysics, Earth science and heliophysics, a field of research that focuses on certain aspects of space physics. While aerospace businesses here received more

than \$285 million in NASA money, educational institutions - particularly CU - attracted about \$60 million last year. CU's Boulder campus has more than 324 active NASA grants. More than 150 "principal investigators" are involved in the research, according to NASA. The CU research includes work on the Hubble Space Telescope, NASA's Glory mission, which is looking at climate change, and the space agency's Cassini spacecraft, which has been sending back never-before-seen views of Saturn. **(Rocky Mountain News)**

Gaiam Pays \$13.2 Million for New HQ

Broomfield-based Gaiam Inc. (Nasdaq:GAIA) closed the deal to purchase its new headquarters in Louisville for \$13.2 million, according to Boulder County public records. The environmental media and products catalog company bought the 148,717-square-foot two-building campus at 833 South Boulder Road from a Dallas-based investment group, BV Boulder LP. BV Boulder purchased the former Neodata and EDS buildings in March 2007 for \$9,225,000. Less than a year before that, Denver-based ICON Investment Group had purchased the buildings for \$6 million in May 2006. Gaiam will occupy most of the space in the buildings, moving its headquarters from leased space at 360 Interlocken Blvd. in Broomfield. In its new building, the Gaiam is negotiating to lease out about 20,000 square feet to Bridge School, a private school currently in located in unincorporated Boulder County. **(Boulder County Business Report)**

Colorado Adds 5,100 Jobs in Month's Time

Colorado ranks third in the nation for month-over-month employment increases, with the addition of 5,100 new jobs between February and March, the federal Bureau of Labor Statistics reported Friday. Texas was first, with 13,200, and Minnesota was second, with 5,200. Colorado's employment growth amounted to 0.2 percent, tying for sixth place with six other states. The Bureau of Labor Statistics said employment increased in 22 states, decreased in 27 states and Washington, D.C., and was unchanged in one state: Maine. The national employment rate increased to 5.1 percent in March from 4.8 percent in February and 4.4 percent in March 2007. In Colorado, the jobless rate was unchanged from February at 4.4 percent but increased from 3.7 percent in March 2007. Colorado ranked fifth among states with "statistically significant employment changes" during the past year, with the addition of 40,400 jobs. The preliminary figures for March 2008, which are seasonally adjusted, show Colorado's employees on nonfarm payrolls grew to 2.35 million jobs from 2.31 million jobs since March 2007. Of the industry sectors included in the report, only one -- covering financial activities -- showed a loss in jobs from February. The sector was down by 100 jobs. Texas had the highest jump in jobs, with another 213,500 added to the rolls, followed by New York, Washington and North Carolina. The Bureau of Labor Statistics counted Colorado's civilian labor force --- defined as anyone 16 or older who isn't in prison or the military but is employed or looking for work -- at nearly 2.77 million people, up from 2.76 million in February. The ranks of the unemployed increased by 500 to 121,500 in March. **(Denver Business Journal)**

	CURRENT	1 MONTH PRIOR	1 YEAR PRIOR
FED FUNDS RATE	2.25	2.25	5.25
3 MONTH LIBOR	2.91	2.54	5.36
PRIME RATE	5.25	5.25	8.25
10 YEAR TREASURY	3.77	3.34	4.67
30 YEAR TREASURY	4.51	4.21	4.83

