

April 6, 2009

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

Five Colorado Cities Rank High on Forbes' 2009 Best-Places-for Business List

Five Colorado cities made the top 40 of **Forbes** magazine's latest list of the best places for business and careers, with Fort Collins ranked No. 2, Denver at No. 14 and Boulder at No. 20. Also in the upper reaches of Forbes' 2009 evaluation of 200 U.S. metro areas: Colorado Springs, at No. 10; and Greeley, at No. 37. Forbes evaluated the 200 largest U.S. metro areas, those with a population of 241,000 or more, on 11 criteria, using data from economic research firm Moody's Economy.com. Among the criteria were cost of doing business, cost of living, job-growth trends, crime rates and cultural attributes. Two measurements were added this year to reflect the times: projected job growth and fewest subprime mortgages as a percentage of total originations over a three-year period. Denver's highest rankings were for number of colleges (15th), educational attainment (20th) and culture and leisure (21st). The city's lowest rankings were for cost of living (133rd) and cost of doing business (130th). Forbes recently ranked Denver No. 8 on its "Top 30 Most-Wired American Cities." Second-place Fort Collins ranked in the top 15 of U.S. cities in four categories: Educational attainment of its population (sixth place), past income growth (ninth), fewest subprime mortgages (10th) and projected job growth (13th). Its lowest rankings were for number of colleges (158th), despite the fact that it's the home of Colorado State University, and for culture and leisure opportunities (135th). **(Denver Business Journal)**

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Union Station Getting Company

The Union Station Neighborhood Company announced Monday their selection of Anderson Mason Dale and Semple Brown Design as the architecture firms that will design the buildings that will surround Union Station. Despite heated objections from a group of respected architects and a former city developer, the Union Station Neighborhood Company announced Monday that they are going ahead with the construction of the controversial "wing buildings" around Union Station. The Union Station Neighborhood Company (USNC)— a joint venture between Continuum Partners and East West Partners — revealed on Monday the selection of Anderson Mason Dale and Semple Brown Design as the architectural firms that will design the first two buildings in the Union Station Neighborhood. Under the current master plan, two commercial mixed-use buildings are scheduled for construction next to the wings of Denver Union Station. The plan was the result of a multi-year public process to redevelop the historic landmark into a viable transportation hub with the FasTracks program. "With the completion and adoption of the final master plan last year, we are now ready to move forward to start building and realizing that vision," said a statement from Tom Gougeon, president of the USNC. "Anderson Mason Dale and Semple Brown Design are both pre-eminent architectural firms who have established themselves as leaders in thoughtful design for both modern buildings and historic structures." The Open Space Initiative Group (OSIG), however, still doesn't think it's

a good idea to “squeeze” Union Station with the two buildings. The advocacy group has been an outspoken critic of the Union Station redevelopment plan, arguing that the city should instead build a grand urban plaza on the sides of the transportation station. “What should have been a major park will now be a major historic facility that is dwarfed by two buildings,” said Alan Canter, a former Denver planning director and current OSIG member. “I just feel that our plan hasn’t been given enough public attention as an alternative to those unsightly buildings.” Groups like OSIG had plenty of time to bring forward their ideas during the Union Station public involvement process, said Roger Sherman — a consultant who led the public involvement process for the redevelopment of Union Station — last September. Sherman said that it wasn’t realistic for the city and involved agencies to go back on the master plan, which was approved by City Council in 2004. “How can you move forward with planning a project that is this complex and this significant to the region if you can’t at some point say a decision has been made and we need to move forward?” he said. “It’s not like those wing buildings were created in a vacuum. It was a huge, expensive long public process.” The wing buildings, which were initially scheduled for construction in 2012, will be up to 75,000 square feet and 65 feet tall. By bringing in a master developer and converting the parcels of land into a commercial development, the redevelopment of FasTracks Union Station is financially possible, said Sherman. Canter argued that the revenue-generating mixed-use buildings could still be constructed under OSIG’s alternative plan. But instead of the buildings going up next to Union Station and detracting from the historic landmark, they could be elevated behind the building, he said. “We are just kind of appalled that they haven’t looked at this alternative plan, which using our best knowledge, the financing would be similar, if not more than what (USNC) thinks it will be,” he said. For their part, Anderson Mason Dale, which has designed buildings like the Federal Courthouse and major new buildings for the University of Colorado at the Anschutz Medical Campus, and Semple Brown Design, the firm that served as lead designer for the Ellie Caulkins Opera House and Larimer Square, aren’t exactly architecture novices. Both architecture firms expressed their gratitude for being selected for the project, which is scheduled to break ground this summer. “This important selection marks our progress, and shows that our team is focused and intent on continuing to advance this important effort,” said a statement from Mark Smith of East West Partners. “Denver has achieved a great deal since the first train arrived at Union Station in 1870, and has many more great achievements to look forward to.” **(Denver Daily News)**

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Real Estate Market Slumps in Early 2009

The U.S. recession hurt metro Denver’s commercial real estate industry in the first quarter, but the market’s relatively solid, diverse economy meant local real estate wasn’t hit as hard as properties in other cities. A new report by the Denver-area branch of national commercial real estate brokerage firm CB Richard Ellis Inc. shows that while Denver-area office buildings, warehouses and shopping centers lost tenants and suffered a slowdown in property sales during the period, rents were

relatively strong and new construction adjusted to less demand. "Generally, Denver is regarded as one of the better commercial real estate markets in the country and one of the better economies," said Mike Camp, CBRE senior vice president and industrial broker. "Because the economy is better here, we're seeing more local companies doing fine — buying and leasing space — while national and regional companies are not being as aggressive." Commercial real estate has suffered most in formerly hot housing markets, including Las Vegas, Phoenix, Southern California and Florida. "Nothing happened here from an investment perspective in the first quarter, but we expected it," said Mary Sullivan, CBRE executive vice president in Denver and investment broker who specializes in representing sellers. "If sellers don't have a gun to their heads with debt, or some other mitigating circumstance, they're holding off on selling until the market gets better." In this year's initial quarter, Morgan Stanley Real Estate put its Johns Manville Plaza office building in downtown Denver on the market, and Greenwood Village developer John Madden tried to sell his new Palazzo Verdi building. But both owners pulled their properties off the market because they weren't willing to accept offers they considered too low. Continuing turmoil in the financial markets, coupled with a worsening national recession in the first quarter, helped metro Denver's office market to have its second straight quarter of negative absorption of leased space, with a loss of 591,000 square feet of occupied space compared to positive absorption of 72,000 square feet for the prior-year period. Absorption is the change in occupancy of rental space over time. Nearly half of this year's negative absorption — 255,107 square feet — was in the southeastern submarket, which was challenged by an abundance of sublease space from company downsizings. But downtown Denver, the metro area's priciest office submarket, had positive absorption of 33,153 square feet. Negative absorption pushed the metro-wide office direct vacancy rate, which doesn't include sublease space, to 14.9 percent in the first quarter from 12.5 percent for the year-prior period. Including sublease space, the office vacancy rate was 16.5 percent in this year's initial period. First-quarter asking rents held relatively steady at \$20.71 per square foot per year, compared to \$20.44 for the year-prior period. The amount of office space under construction dropped to 1.5 million square feet, which represents only 1.4 percent of total office inventory, from 3.4 million square feet in 2008's first quarter. The largest building completed in the Denver area during the first period was the 267,000-square-foot, Class A 1515 Wynkoop in Lower Downtown. "Ground-breakings for new projects have come to a virtual halt, and planned projects remain on hold," the CBRE report said. While metro Denver continues to be a preferred market for investors, no major office buildings sold in the quarter because of the uncertain financial markets and national recession. "Most investment capital remains on the sidelines," the report said. The local office market's negative absorption of space and vacancy levels are expected to continue increasing in the rest of 2009, and asking rents are expected to decrease. On the plus side, the Denver office market isn't burdened by significant overbuilding, which will allow it to rebound faster than other markets across the country. Metro Denver's industrial real estate market — consisting of warehouses, distribution centers and industrial/office space — "held steady" in the first period, shored up largely by this area's biggest industrial submarket in the northeast, according to the CBRE report. "We're not immune, but the industrial market is performing relatively well," said Camp. Comparing this year's first quarter to 2008's, the industrial market saw absorption of leased space drop to negative 153,000 square feet from positive

absorption of 467,000 square feet. Total vacancy hit 8.1 percent. With more space available, landlords are aggressively pursuing new tenants and trying to renew leases of existing occupants, the report said. Asking rent year over year increased to \$6.21 per square foot per year on average from \$5.73. Significant first-quarter industrial leases included Propak Logistics Inc.'s taking of 93,733 square feet at 5501 Peoria St. There also were two major sales — Kevry Corp.'s disposal of its 5125 Race Court building and ProLogis Inc.'s sale of its ProLogis Park 70 Building 8. New industrial construction dropped sharply to 314,000 square feet in the first period from 1.4 million square feet in the year-prior period. Because of a relatively balanced supply of space compared to demand, plus recent infrastructure and technology investment, the metro area's industrial market is in a good position to weather the recession. "We're not out of the woods, and we'll be in a challenging economic environment for a while, but generally the industrial market is holding up well," Camp said. Shopping centers and other retail space, which are more directly connected to consumers, saw absorption plummet in the first quarter — to negative 667,000 square feet from negative 257,000 square feet in the year-prior period — as retailers such as Circuit City Stores Inc. closed stores, the report said. Circuit City announced in January it was closing all its stores nationwide in the first quarter, including nine in metro Denver. The total Denver-area retail vacancy rate increased year over year to 9.6 percent. "The velocity of lease deals has been very slow; there's a wait-and-see attitude," said Glenn Anderson, CBRE senior vice president and retail broker. "Some tenants are still active, but they're picky." Asking retail rents managed to increase to \$19.30 a square foot per year from \$17.11 for the year-prior period because of the completion of new retail space in expensive projects. The few retail projects being developed currently include local Alberta Development Partners LLC's The Streets at SouthGlenn in Centennial and Miller Weingarten Realty LLC's The Gardens on Havana in Aurora. A Kohl's store opened at The Gardens in the first period, and Whole Foods and Barnes & Noble locations are scheduled to open at SouthGlenn this spring or summer. As some retailers pull back in this recession, others continue to move forward. Target Corp. broke ground on a 180,000-square-foot SuperTarget store in Highlands Ranch in the first quarter, and Mountain Fitness of Arizona opened a 40,000-square-foot gym in Lone Tree. The Noodles & Company and Jimmy John's Gourmet Sandwiches restaurant chains continue to look for more locations, Anderson said. **(Denver Business Journal)**

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U.S. Unemployment Rate at 25-Year High at 8.5%

The U.S. unemployment rate rose to 8.5 percent in March, the highest in 25 years, as the economy shed more than 660,000 jobs. The U.S. Department of Labor's Bureau of Labor Statistics reported Friday the unemployment rate increased from February's 8.1 percent to the current 8.5 percent as employers cut 663,000 jobs from payrolls, the fifth straight month with losses of 600,000 or more. A total of 5.1 million jobs have been lost since the recession began in December 2007. The U.S.

unemployment rate was last as high as 8.5 percent in November 1983 when the economy was recovering from a recession in the early 1980s. During that downturn, unemployment rose as high as 10.8 percent in November and December 1982. In Colorado, the unemployment rate for February -- the latest month for which data are available -- was 7.2 percent in February, a 21-year high and up six-tenths of a percent from the previous month, the Colorado Department of Labor and Employment said March 27. It was the highest level since 7.3 percent was recorded in February 1988. In the Denver-Aurora area, the unemployment rate was an estimated 7.9 percent in February, up from 7.4 percent in January and 4.6 percent the previous February. **(Denver Business Journal)**

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	CURRENT	1 MONTH PRIOR	1 YEAR PRIOR
FED FUNDS RATE	.25	.25	2.25
3 MONTH LIBOR	.48	.51	2.74
PRIME RATE	3.25	3.25	5.25
10 YEAR TREASURY	2.91	2.98	3.58
30 YEAR TREASURY	3.70	3.68	4.39

