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### **Jobless Claims, Wholesale Prices Rise - Inflation, However, Remains on an Even Keel**

A bit of sour news Thursday — in the form of increased jobless claims and higher wholesale prices — suggested the economy is moving in fits and starts, even as the recession eases. Analysts said the pace of unemployment claims should slow after auto-industry layoffs are completed. Inflation, meanwhile, remains under control, and any threat of a dangerous bout of falling prices seems remote. The number of new jobless claims rose to a seasonally adjusted 637,000, from a revised 605,000 the previous week, the Labor Department said. That exceeded analysts' expectations of 610,000. Economists noted that initial claims remain below a peak reached in late March — a sign that the wave of mass layoffs announced earlier this year probably has crested. "This is yet more evidence that we are now past the worst," Paul Dales, U.S. economist at Capital Economics, wrote in a research note. Separately, the department said wholesale prices climbed 0.3 percent last month, larger than the 0.1 percent gain economists had expected. The biggest jump in food costs in more than a year offset a second monthly decline in the price of energy products. A 43.7 percent rise in egg prices helped drive food costs higher. The jump, the largest on records dating to 1992, was partly a one-time blip because Easter occurred in April, said Labor Department economist Scott Sager. **(Denver Post)**

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### **Vectra Bank's Small Business Index Down in April, but Economist Sees Cause for Hope**

Vectra Bank's monthly yardstick of small-business conditions in Colorado declined in April from the previous month, but the bank's corporate economist says there's some good news behind the numbers. The Vectra Bank Colorado Small Business Index was 76.9 in April, down from a revised 78.1 in March but up from February's revised 74.4. Nationwide, Vectra's Small Business Index fell to 59.9 in April, from a revised 60.9 in March. The index measures business conditions from the viewpoint of the small-business owner or manager. The lower the index number, the less favorable conditions are deemed to be for small business. The index is based on a 100.0 rating for 1997. "April's decline in the SBI is reflective of the current challenges in Colorado's job market," Jeff Thredgold, Vectra's corporate economist, said in a statement. But Thredgold added that, "at the national level, many signs are emerging that indicate the current recession may be over by the end of the summer. Unfortunately, even after the U.S. recession technically ends, job growth will probably not return to Colorado until next year. But after months of almost nothing but bad news, a bit of good news should be a welcome change for Colorado consumers and small businesses." Thredgold said recent data "had numerous elements of optimism as to where the U.S. economy goes from here. The overall message is that this painful and extended recession has about run its course, with a return to positive if modest U.S. economic growth expected by late summer." He noted that consumer spending, representing 70 percent of all U.S. economic activity, "rose at a 2.2 percent annual rate during the first quarter, after declining sharply during the two prior quarters." He also foresees a rise in overall government spending later this year via the \$787 billion stimulus program, boosting economic growth. "The consensus of forecasting economists sees a roughly 2.0 percent real annual rate of decline [in the nation's gross domestic product] during the current

quarter, with a return to slightly positive growth during the third quarter," Thredgold said. "U.S. economic growth is expected to strengthen during 2009's final quarter, as well as throughout 2010." He said a return to U.S. economic growth would lead to improving business conditions for Colorado's small businesses. Colorado's high unemployment rate -- 7.5 percent in March, the most recent month available -- is a "plus" for the Vectra small-business index because it suggests greater access to labor for small businesses, Thredgold said. Employment is the biggest single factor in the Vectra index. **(Denver Business Journal)**

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### **Westminster Wants Mall Revival by Declaring Site as Blighted, City Sees Future in Retail-Residential Mix and Rail**

The local mall is officially blighted, with sagging sales, tired buildings and some areas deemed unsafe for shoppers and employees. The Westminster Mall has become so deflated that a nonprofit group that tracks the nation's malls says a major makeover won't be enough to revive it. "Anything Westminster Mall becomes from this point on will only be a pathetic shell of what it once was," says David Kruger, a contributor to Deadmalls.com. But city officials believe the mall could become a vibrant mix of retail and residential development, fed by commuter rail and RTD's park-n- Ride complex just off U.S. 36 and West 88th Avenue. The key is an urban renewal area created after the City Council declared the 32-year-old center blighted this month. "I don't think anyone here in Westminster was very surprised that this day would come," City Manager Brent McFall said. "But this move will give the mall a fighting chance to be successful." The city has talked about redeveloping the mall for years. Since 1999, its sales-tax revenue has plummeted 70 percent as new competitors - particularly Broomfield's FlatIron Crossing - attracted shoppers from north Denver and elsewhere, McFall said. Major anchor stores and smaller shops have pulled out. Macy's closed its doors in March, leaving the mall about 50 percent occupied. The city collects less than \$4 million in sales taxes there annually. At one time, the mall boasted six full-size anchor stores and several busy small shops, totaling more than 1 million square feet of retail space. But new retail ventures outside Westminster and major stores either closing or leaving the Denver metro area have taken a toll. "We're not crying over spilled milk. That's the way of the world," McFall said. Successful retail ventures, including the Orchard Town Center at 144th Avenue and Interstate 25, will allow the city to take time to redevelop the mall, McFall said. The city hired Leland Consulting Group and Matrix Design Group to assess the complex. Their findings showed substantial problems that led the city to put the blighted tag on the mall. The problems included buildings without fire-suppression sprinklers, poor water availability to fight fires, deteriorating parking and sidewalks, unsanitary pools of standing water, poorly lit areas, unscreened trash and bad traffic circulation. An urban renewal authority will allow the city to use tax increment financing for upgrades. The authority will also have the option to use the power of eminent domain to seize ownership of some of the shops in the mall, McFall said. However, no plans have been drawn up yet on how the city will proceed. "It's premature to say how this will transpire," McFall said. "We hope to retain as many shops as we can as this process moves forward." **(Denver Post)**

### **CBRE: Nation-Wide Vacancies up Across the Board**

Vacancy rates across the U.S. office, industrial, retail and multi-housing markets are continuing to see increases, according to the latest analysis from CBRE Econometric Advisors (formerly CBRE Torto Wheaton Research). The rate of increase is notable, with the vacancy rates for the four commercial real estate property types rising by 40-80basis points (bps) in the first quarter of 2009 based on data compiled by the research firm, an independently operated unit of CB RichardEllis Group, Inc. The U.S. office vacancy rate rose to 14.7%, an increase of 70 bps, at the end of the first quarter. Both downtown and suburban office markets experienced an increase in vacant space, suggesting that declining demand is now affecting central business districts and outlying suburbs alike. The downtown vacancy rate increased 80 bps to 11.0%, marking the highest level since the second quarter of 2006. Suburban vacancy also rose by 70 bps to 16.7%, marking its seventh consecutive quarterly increase. The national office vacancy rate is still well below the high of 19.1% set in 1991. The national industrial availability rate increased 80 bps to 12.2% in the first quarter of 2009, and marks the sixth consecutive quarter of rising availability. Retail availability rate rose to 11.5%, an 80bps jump from the prior quarter. Economic conditions continue to place strain on retailers in neighborhood and community centers, which failed to bounce back in the first quarter, following a very poor holiday shopping season. And the U.S. multifamily sector also saw poor performance in the first quarter of 2009. **(Retail Weekly)**

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### **Stress Tests Find Small Banks Need to Raise Capital, Too; Researcher Says They Are at Risk for Loan Defaults**

A large number of smaller banks will need to raise additional capital if they want to fortify themselves against a sharp downturn in the U.S. economy. Out of 418 U.S. banks with assets of \$1 billion to \$100 billion, 367 will need to raise a total of \$75 billion, according to a report released Wednesday by researcher SNL Financial. The group used the same adverse conditions under which the government conducted its recent stress test on the top 19 banks. Those tests found that 10 of the 19 would also need a total of \$75 billion more capital over the next six months. Many of the relatively smaller banks don't own the kind of toxic securities that have hurt the large Wall Street banks. However, they are more exposed to losses from traditional lending. With unemployment rising, consumers continuing to keep their purse strings tied and businesses folding, defaults are expected to soar on loans for homes and office buildings. "Shopping malls are weak, office-vacancy rates are surging and industrial loans will start going bad as more companies file for Chapter 11," says Martin Weiss of Weiss Research. The government seems to be preparing for such pockets of weaknesses. On Wednesday, Treasury Secretary Tim Geithner said smaller banks, too, will be able to apply for government bailout funds in the next six months. It's something they might need if their loans to local businesses turn sour. "Traditionally, regional banks' competitive advantage is making loans to businesses and builders where relationship is extremely important," says Frederick Cannon, an analyst at Keefe Bruyette & Woods. Some of the regional economies in which they operate are already worse off than the national economy. For instance, Huntington Bancshares and Zions Bancorp are among the top five banks required to raise additional capital, according to research from both SNL and Keefe Bruyette & Woods.

Huntington, which has taken in \$1.4 billion from the government bailout plan, will have to raise an additional \$3.3 billion, according to SNL. Headquartered in Ohio, where the unemployment rate has reached 9.7%, Huntington also has branches in Michigan, where unemployment has climbed to 12.6%. Similarly, Zions, of Salt Lake City, has branches in California, where unemployment has climbed to 11.2%. That compares with the U.S. unemployment rate of 8.6%. "Huntington has a Rust Belt exposure, where the economy is hard-hit, and Zions' operations in Southern California will be hurt by real estate there," says JP O'Sullivan, SNL analyst. Huntington declined to comment, and Zions didn't return calls. **(USA Today)**

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	<b>CURRENT</b>	<b>1 MONTH PRIOR</b>	<b>1 YEAR PRIOR</b>
<b>FED FUNDS RATE</b>	.25	.25	2.00
<b>3 MONTH LIBOR</b>	.83	1.11	2.72
<b>PRIME RATE</b>	3.25	3.25	5.00
<b>10 YEAR TREASURY</b>	3.14	2.82	3.83
<b>30 YEAR TREASURY</b>	4.09	3.66	4.56

