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Bernanke: Financial Turmoil in Markets Easing

Turmoil in financial markets has eased somewhat, but the situation is still "far from normal," Federal Reserve Chairman Ben Bernanke said Tuesday. The central bank has taken a number of unconventional steps - especially since March, when the credit crisis intensified - to help squeezed banks and big investment firms overcome problems and try to get credit flowing more freely again. Those efforts appear to be paying off and "have contributed to some improvement in financing markets," the Fed chief said in prepared remarks delivered via satellite to a financial markets conference sponsored by the Federal Reserve Bank of Atlanta in Sea Island, Ga. Bernanke noted some improvements in the markets for certain mortgage-backed securities, such as those backed by Fannie Mae and Freddie Mac, as well as some fixed-rate mortgages and corporate debt. Moreover, the Fed's extraordinary decision in March to let investment firms go to the Fed for emergency loans "seems to have bolstered confidence," Bernanke said. "These are welcome signs, of course, but at this stage conditions in financial markets are still far from normal," he said. For instance, there are still strains involving a widely used interest rate called the London interbank offered rate, or Libor, Bernanke said. And "funding pressures" have also been evident in the "strong participation" of commercial banks in a Fed auction program that has made billions of dollars available in short-term cash loans, he said. Bernanke said the Fed policymakers "stand ready" to further increase the size of these loans in the future if warranted by financial developments. In his speech, Bernanke did not talk about the Fed's next move on interest rates or the broader state of the U.S. economy, which many fear is on the edge of a recession or in one already. To bolster the economy, the Fed last month cut a key interest rate by one-quarter percentage point to 2 percent. At the same time, policymakers indicated that their rate-cutting campaign, which started in September, could be drawing to a close. If that happens, many economists believe the Fed will focus more on its various efforts to relieve stressed credit markets. After a run on Bear Stearns pushed the nation's fifth-largest investment bank to the brink of bankruptcy in March, fears grew that others might be in jeopardy, given major stresses in credit and financial markets at that time. Scrambling to avert a market meltdown, the Fed - in the broadest use of the central bank's lending authority since the 1930s - agreed in March to temporarily let investment firms obtain emergency financing from the Fed, a privilege previously granted only to commercial banks. That's one of the Fed's most significant actions. The Fed also has moved to make cash loans to commercial banks and to make super-safe Treasury securities available to investment firms. All these efforts are aimed at bolstering confidence and getting firms to behave in a more normal fashion so they'll be more inclined to lend to each other, consumers and businesses. Ultimately, financial companies will need to raise new capital and improve risk management to address the fundamental sources of financial strains, Bernanke said. "This process is likely to take some time," he added. And once financial conditions become more normal, the extraordinary provisions to provide ready sources of cash to financial institutions will no longer be needed, he said. Even as the Fed has stepped in to provide such help, it also is mindful of creating a "moral hazard," where financial institutions might be more inclined to take certain risks if they believe the Fed will be there to bail them out. "The problem of moral hazard can perhaps be most effectively addressed by prudential supervision and regulation that ensures that financial institutions manage their liquidity risks effectively in advance of the crisis," Bernanke said. The Fed is reviewing its policies

on this front to see if improvements can be made, he said. "Of course, even the most carefully crafted regulations cannot ensure that liquidity crises will not happen again," Bernanke said. But if moral hazard is mitigated and if financial institutions and investors tighten up risk-management practices, "the frequency and the severity of future crises should be significantly reduced," he said. **(AP)**

Two Tabor Start Moved to Summer

The debt crunch has pushed back the start of construction on downtown Denver's much-anticipated \$200 million Two Tabor Center office tower to the summer. Callahan Capital Partners LLC of Chicago and the local branch of Trammell Crow Co. are developing the new, 38-story office high-rise, which Callahan will own. The developers initially hoped to break ground on Two Tabor in late 2007, and then early 2008, for completion in 2010. Callahan still hopes to finish the building in late 2010. The project will be located next to the 30-story, 583,000-square-foot One Tabor Center office building at 1200 17th St. "These difficult financing markets have slowed things a bit ...," said Andrew Joa, vice president at Callahan Capital Partners. "There are lenders out there willing to lend to us. We just have to figure out who the right lender is and the right terms." The recent erosion of the credit market, prompted by the collapse of the subprime mortgage market, has caused lenders to impose stricter lending guidelines. For commercial real estate projects such as Two Tabor Center, those guidelines can include significant preleasing to creditworthy tenants and more equity financing than in past years. "Commercial real estate lending is based on coverage ratios and yields ... Today's commercial real estate market likely requires more equity to achieve [our minimum thresholds for these items], so loan amounts may be less than historical norms," said Kirk Monroe, executive vice president at Vectra Bank Colorado, a major local real estate lender. Two Tabor's schematic design, establishing the project's general scope and scale, was completed early this year, according to Joa. The design development phase --- which is a more detailed design with materials specifications, mechanical/electrical systems, etc. -- is expected to be finished in another month or so. New York architectural firm Kohn Pedersen Fox Associates is Two Tabor's designer. Callahan decided to build Two Tabor Center, envisioned since the mid-1980s, after it bought One Tabor Center in a five-building package for \$770 million in March 2007. The seller was The Blackstone Group LP of New York, and the deal is metro Denver's largest real estate transaction to date. The Tabor Center complex also includes a 136,000--- square-foot shopping and restaurant component owned by Callahan and the adjoining, 420-room Westin Tabor Center hotel, at 1672 Lawrence St., owned by Starwood Hotels & Resorts Worldwide Inc. of White Plains, N.Y. Tulsa, Okla., developer Henson-Williams Realty Inc. completed One Tabor Center in 1984, with a pad site for Two Tabor Center. Kohn Pedersen also designed the first office tower. The initial design for the Two Tabor project called for a 41-story building, and Henson-Williams got as far as starting the foundations and elevator cores before the local commercial real estate market collapsed in the mid-1980s. After Equity Office Properties Trust of Chicago purchased One Tabor Center in the late 1990s, it redesigned Two Tabor in 1999, but kept the height at 41 stories. Equity halted the development when the local economy suffered a setback. **(Denver Business Journal)**

Denver's Commercial Real-Estate Market Booming

Even as the national economy appears to spiral downward, a number of companies are choosing Denver to expand their operations, bolstering the region's commercial real-estate market. At least three national engineering companies are considering adding staff and increasing their space here. Denver-based Utility Engineering, which occupies 70,000 square feet in the Park Central Building downtown, needs another 9,000 square feet of space. Black & Veatch Corp., which is in 35,000 square feet at the Cascades office building in Greenwood Plaza, plans to expand by 6,000 square feet. It added 5,000 square feet of space last year. URS Corp., which acquired Washington Group this year, is in the process of developing its strategic plan, said Rob Link, executive vice president and branch manager of Studley, which is representing all three engineering firms. URS has 140,000 square feet of space in the southeast market and several downtown locations that are 20,000 square feet each. Washington Group has more than 250,000 square feet in the southeast office market. While the company has not determined what course it will take, if it decides to consolidate its offices, it would need about 400,000 square feet. "They all have a lot of business they're going after," Link said. "In order to be able to grow like that, you need the contracts in place. You've got to have the people." The companies are working on large-scale infrastructure projects, such as roads, dams and nuclear power plants. Engineering firms aren't the only companies looking for large blocks of space. "We have an unprecedented number of large transactions floating around the market," said Bob Whittelsey, principal with commercial brokerage Colliers Bennett & Kahnweiler Inc. He said the area appears to be an anomaly, compared with the markets it competes with. "We're still seeing job growth and activity in the market," Whittelsey said. "I think we're on the radar screens of companies divesting of expensive real-estate and employment markets." Many service providers to the thriving energy sector also are looking to expand, said Anthony Albanese, an associate and office tenant representative at CB Richard Ellis. "Law firms especially are looking to expand," he said. "They're hiring more lawyers to do land leases. There's not a lot of huge expansions, but there's a lot of individual one-off growth." (Denver Post)

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Colorado Companies Added 10,100 Jobs in April

Colorado businesses added 10,100 nonfarm wage and salary jobs in April, a slightly greater increase than usual for the month, the state Department of Labor and Employment said Friday. Nonagricultural employment has grown 43,600, or 1.9 percent, over the past 12 months, rising to 2,357,300. "Job growth is expanding at a pace similar to last year, but rising energy and food prices, combined with continued sluggishness in construction, are likely to dampen growth for the remainder of the year," Donald Mares, executive director of the Colorado Department of Labor and Employment, said in a statement. The seasonally adjusted unemployment rate was unchanged at 4.4 percent in April. Although the jobless rate has remained steady for the past three months, it is eight-tenths of a percentage point higher than a year ago, and matches the highest rate since mid-2006. The national unemployment rate was 5 percent in April. Colorado officials said that eight major industries added workers in April, while three cut jobs. Professional and business services led the expanding industries, adding 7,200 positions, with stronger-than-usual hiring in administrative and business support services.

Construction payrolls increased by 3,700. Education and health services added 1,100 positions, all of them within the health care and social assistance subsector. Tax preparation activity probably helped financial activities add 700 positions. Meanwhile, leisure and hospitality shed 3,000 jobs as the winter recreation season ended. Other services dipped 600, while manufacturing trimmed 300 jobs in April.
(Denver Business Journal)

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	CURRENT	1 MONTH PRIOR	1 YEAR PRIOR
FED FUNDS RATE	2.00	2.25	5.25
3 MONTH LIBOR	2.70	2.73	5.32
PRIME RATE	5.00	5.25	8.25
10 YEAR TREASURY	3.85	3.68	4.75
30 YEAR TREASURY	4.58	4.49	4.91