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Fed Sees Hopeful Signs but Downgrades '09 Forecast

The Federal Reserve expects the economy to improve in coming months, even as policymakers have downgraded their outlook for all of 2009. Fed Chairman Ben Bernanke and his colleagues believe business sales and factory production will begin to gradually recover later this year as President Barack Obama's stimulus package and the Fed's aggressive efforts to end the recession take hold. In new Fed documents, they also pointed to signs that the recession's grip was easing in the current quarter. The Fed now expects the economy will shrink this year between 1.3 and 2 percent. The old forecast called for a contraction between 0.5 and 1.3 percent. The unemployment rate may hit nearly 10 percent, up from 8.8 percent in the old forecast. (AP)

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Welcome Green Shoots for Beleaguered Retail Industry

While it's still mired in a terrible slump, the retail real estate industry is exhibiting "green buds pushing out from the ashes," according to Sheridan Schechner, managing director of Barclays Capital. The combination of REITs successfully raising capital, banks reporting better first-quarter earnings than expected, and tightening credit spreads is a positive sign for a retail industry under siege, insists the New York-based real estate investment banker. But the employment picture is a grim reminder of the challenges ahead. Since the start of the recession in December 2007, the U.S. economy has shed 5.7 million jobs. That figure could ultimately reach 7 million, say some economists. The upshot is weak consumer demand, rising tenant vacancies, and declining net operating income for many shopping center owners. "Up until about three or four weeks ago, it felt like we were on a train that we couldn't get off. It was crashing," remarked Schechner, speaking before several hundred industry professionals assembled at the Renaissance Hotel on Monday evening. "But now it feels better than expected. Whether it's because the REITs have raised money, or because the banks have passed their stress tests, or the ones that haven't passed their stress test have gone out and raised a bunch of capital, it feels like there is a lot of positive momentum. Now whether it's going to be a dead cat bounce or something else, we still all have to see," Schechner added. Sponsored by Marcus & Millichap Real Estate Investment Services, the panel discussion also included Robert Michaels, vice chairman of General Growth Properties, and David Lukes, COO of Kimco Realty. The one-hour event came during the second day of RECon, the annual convention of the International Council of Shopping Centers. The importance of tightening credit spreads can't be overstated, explains Schechner. "If you are a major hotel company, a month ago you couldn't borrow at interest rates less than 13% to 15%, and now you can borrow at 8% or 9%. If you are a major retailer, a month ago you couldn't borrow at less than 9.5% or 10%, and now you are borrowing at 5% to 6%." In another positive sign, earlier this month Indianapolis-based Simon Property Group, the nation's largest shopping mall owner, raised \$1 billion through a stock sale. That comes on the heels of a similar move in March by the giant mall REIT, when it raised about \$543 million in a stock sale to help pay down its debt. Meanwhile, interest rates for REITs in the unsecured debt market have fallen substantially. Simon, for example, recently issued debt at 7% compared with 10.75% about six weeks ago, according to Schechner. "We're watching money come back in and people starting to creep out on the risk curve,

and not just be investing in Treasuries.” Michaels of Chicago-based General Growth Properties, which filed for Chapter 11 bankruptcy protection in mid April, said his company’s view of the retail industry “is that it’s not as bad as the press would make it out to be. We own or manage 200 regional malls throughout the country. Our occupancy is approximately 91%. If you add in the retailers that are less than 12-month leases, we are probably in the 93% to 94% [range].” All of the retail REITs that reported earnings for the most recent quarter posted portfolio-wide occupancies above 90% and net operating income that was either flat, growing incrementally, or down just slightly, points out Michaels. The mood among retailers has improved over the last two or three months, says the veteran shopping center executive. “While there will be retailers who will not survive this downturn, as there always is, I think that it will be much fewer than what we had anticipated early on this year.” Still, he’s not Pollyanish. The rest of 2009 will be tough sledding for the retail industry. Occupancies and net operating income will likely remain flat or dip somewhat, but Michaels anticipates the start of a recovery this fall. Retailers already are beginning to boost their inventories, he says. “You will never find a more optimistic group of people in the world than the retailers, but overall they are sensing the mood is better.” Equally as important, Michaels says, is that the retailers he’s met with at ICSC report their negative sales performance is less acute than it was a few months ago. Call it a promising green shoot. **(National Real Estate Investor/Matt Valley)**

McWhinney Unveils Plans for Highway 7 Project

Officials with Loveland-based McWhinney unveiled their plans Tuesday for a 935-acre project in northeast Broomfield. The property, to be called North Park, is on the west side of Interstate 25 between Colorado 7 and the Northwest Parkway. McWhinney hopes to build a 175-acre applied research center as part of the development. That segment of the development would be along 160th Avenue straddling Sheridan Parkway. Company officials believe the site “is primed to become a place for incubation of new advances in medicine, renewable energy, applied research, technology and science,” according to a release. The development as it’s currently designed would add 6,200 residential units and 17 million square feet of commercial and mixed-use space. Much of the residential construction would be in the form of multifamily and mixed use applications. Broomfield officials were involved during the design process, according to Troy McWhinney, a principal of the company that bears his family’s name. “McWhinney is working diligently with the city and county of Broomfield on the comprehensive plan for North Park,” he said. “We are pleased with its progress and know that its ideal location north of Denver will bring opportunities for commercial and mixed use development for Broomfield.” The company bought the property from Pulte Homes Inc. in December 2007. It was formerly part of the “Anthem” master-planned development and is zoned for commercial development. McWhinney also developed the Centerra development in east Loveland, including The Promenade Shops at Centerra and Medical Center of the Rockies. **(Colorado Hometown News Group)**

Denver Tops on 'Today' Show List of Cities Poised for Real-Estate Rebound

Denver was named America's No. 1 city on the verge of recovery from the real-estate slump in a segment Tuesday on NBC's "Today" show. Real estate expert Barbara Corcoran, a regular guest on the show, said Denver more than any other U.S. city is "clearly on a rebound." "It's really the perfect real estate success story," she said. "It had one of the highest foreclosure rates in the nation for years running, and now they've cut that foreclosure rate in half and they've turned the corner." Denver, Corcoran said, has "a vibrant downtown, it has a high employment base, it has educated people, it has youth, [and] it has one of the biggest park systems in the country. "Everything about Denver is pointing up, up up," she added. "Prices are moving up just now for the first time after seven years." Rounding out Corcoran's list of cities poised for a real-estate rebound are Raleigh, Austin, Seattle and San Francisco. **(Denver Business Journal)**

Highway 36 Office Market Holds Up in Down Economy

The office submarket that was hit the hardest in the last market economic downturn is holding up fairly well during this recession. The U.S. Highway 36 office market, which reached 40 percent vacancy after the dot-com bust, had a vacancy rate of 15.7 percent at the end of the first quarter, according to CoStar Group. Because it has a more diversified tenant base today, because vacancies haven't tumbled like they did last time and because there's only one office building under construction, brokers are optimistic the corridor could lead, rather than lag, the next recovery. "I would say the corridor to date has not seen as much distress as some of the other suburban markets. There is distress like there is anywhere," said CB Richard Ellis broker Doug Bakke. "I'm optimistic that we will bounce back quicker than other areas because of the diversification." "That's clearly the biggest pocket of hope, if you will," said Jim Wonhof of Cushman & Wakefield of Colorado Inc. "The northwest corridor has sustained itself fairly well. You haven't seen rates drop anything like you're seeing in the southeast market," he said. **(Colorado Real Estate Journal)**

Denver Apartment Vacancy Rates Rise to Four-Year High

Denver apartment vacancy rates rose to their highest levels in four years during the first quarter, spurring a retail phenomenon to take root in the multifamily market. According to the report released by the Apartment Association of Metro Denver and the Department of Local Affairs' Division of Housing, the first quarter ended with a vacancy rate of 8.4 percent – the highest rate since the metro area hit 9.3 percent during the first quarter of 2005 and well above 2008's first-quarter figure of 5.9 percent. The report, which is based on data received in March, also reported that while rents rose during the first quarter to \$881.92 compared with \$861.26 a year ago, average rents are at a one-year low. As well, all counties reported decreases in rents for 2009's first quarter when compared with the fourth quarter of 2008. **(Colorado Real Estate Journal)**

Orchard One Sells to Buyer with Plans to Occupy Vacancy

Orchard One, a four-story office building at Interstate 25 and Orchard Road, sold to a group that will bring the property to nearly 100 percent occupancy. "I think it was a good deal for both parties. It's a great little building," said listing broker Natasha Felten of Colorado Commercial Cos. An entity called 6143 S. Willow Drive LLC paid \$4.37 million, or \$94 per square foot, for the 46,854-sf building. The buyer has a sister company that will occupy about 10,000 square feet, nearly all of the vacant space in the building. **(Colorado Real Estate Journal)**

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Conference Board Economic Index Up for 1st Time since June

For the first time since June 2008, The Conference Board's measure of economic prospects rose. The Conference Board's Leading Economic Index for the U.S. increased 1 percent in April, following a 0.2 percent decline in March and a 0.5 percent decline in February. The index of leading indicators is designed to forecast economic trends six to nine months ahead. "The leading indicators suggest that while the recession will continue in the near term, the declines will be less intense," said Ken Goldstein, economist at The Conference Board, in a statement. "The question is how long before declines in activity give way to small increases. If the indicators continue on the current track, that point might be reached in the second half of the year." Seven of the 10 indicators that make up the Conference Board's index increased in April. Positive contributors included stock prices and consumer expectations. The Conference Board index now stands at 99, compared with a base of 100 in 2004. The New York-based Conference Board is a not-for-profit research group focused on economic analysis. **(Denver Business Journal)**

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	CURRENT	1 MONTH PRIOR	1 YEAR PRIOR
FED FUNDS RATE	.25	.25	2.00
3 MONTH LIBOR	.66	1.10	2.64
PRIME RATE	3.25	3.25	5.00
10 YEAR TREASURY	3.45	2.94	3.91
30 YEAR TREASURY	4.38	3.80	4.62