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### Falling Property Sales Help Sink GDP

Commercial property sales by dollar volume slumped 50% in the first quarter from the fourth quarter of 2008 as gross domestic product (GDP) contracted 6.1%. That's according to a preliminary estimate by New York-based real estate research firm Reis. Analysts had expected GDP to contract 4.6% on an annualized basis. According to the U.S. Commerce Department, investment in nonresidential structures — primarily commercial real estate investment — decreased 44.2% on a quarter-over-quarter basis. "There are buildings transacting, but the drop-off is quite significant," says Victor Calanog, chief economist for Reis. "It is the lowest volume on record since Reis began tracking transactions in 2003." Retail property sales fell 49% in the first quarter over the fourth quarter while apartments fell 49% and industrial properties sank 61%. In stark contrast, the office sector saw a decline of just 5.3%. "On the surface there was only a 5.3% decrease in dollar volume for office transactions from the fourth quarter if one excluded the foreclosure auctions of the John Hancock Tower, the New York Times Building and a couple of other large transactions, the drop-off would be closer to 50%, too," Calanog explains. The large distressed asset sales that bolstered first-quarter office transactions include the \$660 million auction of the John Hancock Tower in Boston; the \$225 million sale of the New York Times Building; the \$304.8 million sale of 10 Universal City Plaza in Universal City, Calif.; and the \$355 million sale of the Bertelsmann Building in New York. In addition to the sharp decline in nonresidential structures, the Commerce Department reported a 30% plunge in U.S. exports as well as a 34.1% decrease in imports. In the industrial property sector, construction activity dropped from roughly 72 million sq. ft. in the fourth quarter to approximately 39 million sq. ft. in the first quarter, according to Robert Bach, chief economist for Santa Ana, Calif.-based Grubb & Ellis. "I think construction activity will continue to decline," says Bach. "The thing that struck me is how quickly industrial construction is declining. It's just plummeting to levels lower than we saw in the last recession." One bright spot in the GDP figures, however, was consumer spending, which rose 2.2% in the first quarter after falling 4.3% in the fourth quarter of 2008. "It looks like there are some signs that consumers are coming back and I think that's a positive," Bach notes. "It also suggests that the stimulus package with the tax cuts is having some effect." Calanog disagrees. "I don't know if you want to hang your hat on glimmers of hope or stabilization for [consumer spending]," he says. "If you drill down into it and take a look at what people are spending their money on, it's really the purchases of durable goods." Spending on durable goods rose 9.4% in the first quarter after falling 22.1% in the fourth quarter. The increase following the sharp decline could be an indication of pent-up demand, says Calanog. Durable goods include necessities, such as refrigerators, which are seldom replaced. Meanwhile, non-durable goods, a greater reflection of discretionary spending, rose a scant 1.3% and spending on services rose just 1.5%. **(National Real Estate Investor/Sibley Fleming)**

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### Law Firm Buys Tremont Center for \$5.4M

Robert J. Hopp & Associates LLC, a locally headquartered law firm, acquired The Tremont Center at 333 W. Colfax in Denver from Collawn Capital for \$5.36 million, or approximately \$119 per square foot. The buyer is also a tenant in the building. The six-story, 44,916-square-foot, Class B office building was built in 1958 and

renovated in 1995. It is in the central business district. Todd Tilzer and Bill Johnson of RocHenge Properties represented the seller. The buyer had no broker representation. **(CoStar)**

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### **Home Prices Down, but Rate of Loss Eases**

The weak housing market continued to plague home sellers in February as home prices extended their losing streak to 31 consecutive months, according to a report issued Tuesday. However, the rate of decline slowed, with the S&P/Case-Shiller 20-city home price index not hitting a record low for year-over-year drop for the first time since October 2007. "We will certainly need a few more months of data before we can determine if home prices are finally turning around," said David Blitzer, chairman of the index committee at Standard and Poor's. The index fell 18.6% from February 2008, compared with a 19% year-over-year decline in January. The index was also down 2.2% from January. The index has not recorded a price rise since July 2006 and has fallen 30.7% since that peak. "I don't think it's great news," said real estate analyst Mike Larson of Weiss Research. "It's just a moderation in the monthly declines and it fits in with the pattern we're seeing of things getting less bad." "But it's still a weak market. The patient has moved out of intensive care unit but it's still in the long-term care ward," he added. Moderation: This is the second time in the past several months that the decline trend has seemed to moderate, according to Ken Goldstein, an economist with the Conference Board. "The first occurrence proved to be a ledge on the way down to the bottom," he said. "We're probably closer to the bottom now." The leveling off has had a positive impact on consumer confidence, which jumped suddenly this month, although still at historically poor levels. "Consumers are no longer in despair," said Goldstein. "They're just depressed." More and more markets are reaching a balance point, according to Bernard Markstein, senior economist with the National Association of Home Builders (NAHB), where prices should level off. He cites other stats, such as stabilizing new and existing home sales, that indicate we're coming to an end of the housing market meltdown. "By the end of the year, we should be on the slow road to recovery," he said. Of the 20 cities tracked by the index, 16 recorded a slower decline in February than the month before. No index city has fared as poorly as Phoenix, where prices have fallen 35.2% over the past 12 months and 4.5% in January. Prices are down 51% from their peak. But Phoenix is hardly unique, according to Larson. He said that if you ask any real estate agent in any of the once overheated markets, he or she will tell you that prices in many neighborhoods are off 40% to 50% from their highs. Las Vegas, which has recorded more foreclosures than any other city, is close behind Phoenix with a 31.7% year-over-year loss and a drop of 3.6% for the month. Prices there are off 48.4% from their peak. Other big losers include San Francisco, down 31% over the past 12 months and 3.3% for the month; Miami, down 20.5% year-over-year and 3% month-over-month; and Los Angeles, 24.1% lower on an annual basis and down 2% on a monthly basis. The housing bust has touched some of the cities on the list less severely. In Dallas, prices were down 4.5% annually and 0.2% monthly. Denver showed a 5.7% annual drop and a 1.7% monthly dip, and Boston was 7.2% lower on a yearly basis and 1.3% monthly. That price declines did not accelerate in February is certainly a positive change, according to Goldstein, showing that the housing crisis is beginning to let up a little. "Still, we're in a deep hole, one that will be tough to climb out of," he said. **(CNNMoney.com)**

## Markets Get Fed Some Good News

The Fed confirmed what Wall Street has already concluded: The recession is starting to ease. Federal Reserve policymakers said at the end of a two-day meeting Wednesday that while the economy is still receding, the pace of decline "appears to be somewhat slower" than the last time they met in mid-March. That was confirmation enough for the stock market. Major indexes, already up sharply ahead of the announcement on other signs that the economy is stabilizing, gained more than 2 percent. The Dow Jones industrial average jumped 169 points to its highest close since Feb. 9. "You had the Federal Reserve endorsing the basic stance that the economy is beginning to stabilize," said Bruce McCain, chief investment strategist at Key Private Bank in Cleveland. The Dow is now 25 percent above its early-March lows, though stocks have been unsteady over the past several days on fears of a potential swine-flu pandemic and persistent concerns about the country's biggest banks. Stocks began the day higher as investors responded to bright spots within a weaker-than-expected report on the nation's economic output for the first three months of the year. Gross domestic product contracted at an annual rate of 6.1 percent, much steeper than the 5 percent forecast by economists polled by Thomson Reuters. But the glimmers of good news in the report drove the Standard & Poor's 500 to its highest trading level since late January. The Dow jumped 168.78, or 2.1 percent, to 8,185.73. The gain leaves the blue chips down about 591 points, or 6.7 percent, for the year. The S&P 500 gained 18.48, or 2.2 percent, to 873.64, its highest close since Jan. 28. The Nasdaq composite advanced 38.13, or 2.3 percent, to 1,711.94. The tech-heavy index posted its highest finish since Nov. 4 and is up 8.6 percent for the year. Michael Sheldon, chief market strategist at Westport, Conn.-based RDM Financial, said the drop in business stockpiles "should set the stage for a pickup in production, employment and profits." Investors are still nervous that some banks, notably Citigroup and Bank of America, might have to get more capital from the government or other investors. **(Denver Post)**

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	CURRENT	1 MONTH PRIOR	1 YEAR PRIOR
<b>FED FUNDS RATE</b>	.25	.25	2.00
<b>3 MONTH LIBOR</b>	1.01	1.18	2.78
<b>PRIME RATE</b>	3.25	3.25	5.00
<b>10 YEAR TREASURY</b>	3.21	2.64	3.76
<b>30 YEAR TREASURY</b>	4.09	3.52	4.50