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### Survey: Overseas Buyers Will Be Back in the USA

The confidence level of overseas investors has gotten a boost in the past six months, according to the first-ever mid-year survey from the Association of Foreign Investors in Real Estate. More than two-thirds of respondents to the survey, conducted among the association's nearly 200 members and released on Wednesday, say they plan to invest some debt or equity in US real estate before 2009 is over, although about 75% have not yet done so this year. Foreign real estate investors say they expect to see a recovery in the US real estate market by the end of the second quarter in 2010, the survey says. AFIRE chief executive James Fetgatter tells GlobeSt.com that expectation dovetails with investors' outlook for the remainder of '09. "If they assume that the recovery will begin in the second quarter of next year, then logically they would start to start pooling their money this year," especially if they want to get a jump on some attractive prices, Fetgatter says. "There is capital sitting on the sidelines--apparently quite a bit." How much of that foreign capital will actually be spent in the US would be "speculation" at this point, though. Certainly, a high-profile example of foreign capital coming back into US real estate was the acquisition earlier this month of AIG headquarters at 70 Pine St. and 72 Wall St. in Lower Manhattan by Korea-based Kumho Investment Bank. "Koreans have been looking around for the past year or so," says Fetgatter. "As far as I know, this is the biggest acquisition that they've made." He adds that a change in Korean law last year has made it easier for Koreans to take capital out of the country. While Fetgatter says it's too soon to say whether the 70 Pine deal will soon be followed by high-profile purchases from other nationalities, the sale illustrates a longstanding point. "When there's capital that wants to go across borders, the US is the logical first place to look," he says. On the debt side, survey respondents say they expect to invest three times more than their current investment levels year-to-date. Equity investors expect to place seven times more than current YTD investments, the survey says. The upswing in planned activity is coupled with a growing optimism in respondents' investment projections. Thirty-one percent said they were more optimistic than at the beginning of the year; 16% said they were more pessimistic and 53% said they felt about the same as they did in January. Investors' ranking of the three cities they expect to recover first, and thus the top three markets for their investment dollars--Washington, DC, New York City and San Francisco--has not changed since AFIRE conducted its 2008 Annual Survey, released last January. However, their conviction has deepened over the past six months that the nation's capital is the place to be. "Twice as many respondents named Washington as their city of choice over second-place New York," Fetgatter says. Rounding out the top five were Boston, which has not appeared among investors' top five cities since 2001, and Los Angeles. Fetgatter suggests that one factor in Boston's long absence was the disruption caused by the Big Dig, and that infrastructure mega-project's completion may have given foreign investors an all-clear sign. However, he adds, "Boston has been in and out of the top five over the 15 years that we've been doing the survey. It's a 24-hour city, a coastal city, which is what they like." Survey respondents also say that the office sector would recover first, followed by multifamily and industrial. This marks a shift in investor perception from the results of the January survey, in which respondents ranked multifamily over office buildings as the preferred property type. "They're primarily office investors," Fetgatter explains. "Half their portfolio worldwide is office buildings. So that's almost their default preference, except in times when they may perceive that it's overpriced," as may have been the case last year. This

year, they may sense that "there will be some discounting," says Fetgatter. "If they have an opportunity to buy some really nice office buildings at a good price, they will do that, as opposed to multifamily." **(Globest.com)**

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### **Leading Economic Indicators Up More Than Expected**

A private research group says its forecast of economic activity rose in May, the second straight gain after seven months of declines. The Conference Board says its index of leading economic indicators, designed to forecast activity in the next three to six months, rose 1.2 percent. Economists surveyed by Thomson Reuters expected a 0.9 percent increase in May. The New York-based group says activity in the six-month period through May also rose 1.2 percent - the first time that measure has grown since April 2007. Conference Board economist Ken Goldstein says: "The recession is losing steam ... if these trends continue, expect a slow recovery beginning before the end of the year." He says the job market will take longer to rebound. **(Conference Board)**

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### **University Research Consortium Buys Boulder Office Building for \$5.3M**

University Corporation for Atmospheric Research of Boulder has purchased an office/industrial building for \$5.3 million to accommodate expansion. UCAR's new 53,783-square-foot, single-story building is located at 3375 Mitchell Lane in Boulder, and plans to occupy it immediately, according to brokers in the transaction. The deal closed on June 11. The building's seller was 3375 Mitchell Lane Ltd. of Boulder, an affiliate of Michael S. Berman and K&B Properties, according to Colorado Secretary of State data and Boulder County property records. Created in the late 1950s, UCAR is a nonprofit consortium of research universities, and manager of Boulder's National Center for Atmospheric Research on behalf of the National Science Foundation, according to the group. UCAR currently includes 73 member universities that grant doctoral degrees in atmospheric and related sciences, as well as affiliates in this country and abroad. In Boulder, UCAR already has laboratories at 3300 and 3450 Mitchell Lane as well as 1850 Table Mesa Drive and 3080 Center Green Dr. The group also has an aviation research facility at Jefferson County Airport in Broomfield. Outside Colorado, UCAR operates a solar observatory in Hilo, Hawaii. The Frederick Ross Co. of Denver and Dean Callan & Company Inc. of Boulder represented seller 3375 Mitchell Lane Ltd. in the building sale. Jones Lang LaSalle Inc.'s (NYSE: JLL) Denver branch represented UCAR. The building just purchased by UCAR was one of a five-building portfolio of Boulder County buildings on the market for sale. **(Denver Business Journal)**

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### **The Worst Is Yet to Come**

At RealShare Chicago one common theme overshadowed every presentation and panel discussion - the recession has yet to hit its bleakest point and recovery is still in the far-distant future. The seventh-annual conference was held Tuesday at the Renaissance Hotel in downtown Chicago. "This industry will always be a roller coaster ride," Michael Desiato, VP and group publisher for Incisive Media, told attendees at the beginning of the day; and speaker after speaker confirmed this fact.

Headlining the event, Bruce Miller, international director for Jones Lang LaSalle, jokingly told attendees the recovery will begin to take shape on October 15, 2009 at 2:22 pm. On a more serious note, he said rising from a trough will not even be a possibility until there is "real sustainable employment growth" in the market and the lending community begins to lend again. The decline in the market is slowing but most speakers believe we have yet to hit the bottom of the trough yet. In another 3 months it will be easier to predict the market's status as either already in the trough or approaching it. For example, panelists on the Industrial Market forecasting panel, gave their best estimate for a recovery. The most optimistic one of the group, Mike Yungerman, VP real estate development for Opus North, pegged the middle of 2010. The more conservative, Lynn Reich, EVP for Colliers B&K, said she doesn't expect growth until the second quarter of 2011. And yet through all the doom and gloom most speakers agreed that a number of companies and investors are sitting on 'dry powder' just waiting for the right opportunity to invest. **(Globest.com)**

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### Colorado Unemployment Up in May

After declining in April, Colorado's unemployment rate marched higher again in May, according to a report today from the Colorado Department of Labor and Employment. The state's unemployment rate rose to 7.6 percent in May from April's 7.4 percent rate, with the number of unemployed workers rising by 3,300. "For the past three months, the changes in Colorado's unemployment rate have been incrementally smaller than those seen nationally," said Don Mares, the department's executive director, in the report. Unemployment in April had dipped from March's 7.5 percent rate, raising hopes that labor markets might be bottoming. But May is typically a weak month for employment. Layoffs in the ski resort areas and new graduates entering the job market outweigh gains in construction hiring. Eight industries showed moderate gains in payroll jobs, while three posted declines, led by a monthly loss of 7,600 jobs in leisure and hospitality. Manufacturing and mining also suffered declines. Job gains came in professional and business services, which rose 4,200 due primarily to seasonal hiring for administrative and support services. Local government hiring drove a gain of 2,600 jobs, while education and health services added 1,700 jobs. Construction hiring did increase 1,300 in May after a long decline, but the gain was the smallest seen in May for two decades. The estimated count of unemployed persons trended up 3,300 during the month and has risen 77,000 from a year ago. **(Denver Post)**

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	CURRENT	1 MONTH PRIOR	1 YEAR PRIOR
FED FUNDS RATE	.25	.25	2.00
3 MONTH LIBOR	.61	.75	2.80
PRIME RATE	3.25	3.25	5.00
10 YEAR TREASURY	3.79	3.19	4.20
30 YEAR TREASURY	4.52	4.14	4.75