

July 7, 2008

A Denver Based Commercial Real Estate Investment and Management Company  
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### **KBS Acquires 131,000-SF Office Project for \$32M**

KBS Realty Advisors of Newport Beach, CA has acquired the 130,652-sf Citadel office tower at 3200 Cherry Creek South Dr. in suburban Cherry Creek for \$31.75 million. The seven-story, granite-clad office tower is considered one of the premier office projects in the Cherry Creek submarket. Built in 1986, the Citadel is 88% leased to such major tenants as RBS Capital, New York Life and AG Edwards. KBS represented itself in the purchase. The seller was represented by Mary Sullivan and Timothy Swan of CB Richard Ellis in Denver. The location of the Citadel is in south central Denver on the southwest bank of Cherry Creek. The property is three miles from the Central Business District and 20 miles from the Denver International Airport. The building is a triangular office structure with a two-level underground garage on a site of more than 1.5 acres. Amenities near the property include the Cherry Creek Mall, two hotels within walking distance and a wide variety of restaurants. The site is also close to outdoor recreation, banking and other retail developments. Buyer KBS Realty Advisors was founded by Peter Bren and Chuck Schreiber in 1992 as a private equity real estate company and is a SEC-registered investment advisor. KBS Realty Advisors and its affiliate, KBS Capital Advisors, invest in, manage and sell US commercial real estate assets for institutional, corporate and private investors. Since 1992, KBS has completed transactions totaling approximately \$14.5 billion via 19 separate accounts, six commingled funds and two private equity REITs. (Globest.com)

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### **Gart Family Buys Denver Pavilions**

The Gart family's real estate company, with partner ING Clarion Partners LLC, paid \$94.5 million Tuesday for the Denver Pavilions shopping center. The purchase of the two-block, 347,000-square-foot center that includes the last Niketown that opened in the U.S., Barnes & Noble, Virgin Megastore and Maggiano's restaurant marks the largest purchase by Gart Properties LLC. The 10-year-old Pavilions is the largest retail center in downtown, with about 50 stores and restaurants. The new owners plan to invest \$25 million on renovations and tenant incentives, including new high-tech video signs and escalators that will stretch to the edge of the 16th Street Mall. "We're moving more to make it more of a destination for fashion, lifestyle and dining, rather than nightclubs," said Mark Sidell, president of Gart Properties, in a phone interview. "If they took a blindfold off you in most shopping centers, you wouldn't know what city you are in. There are more eyeballs and footfalls going past the Pavilions on a daily basis than anyplace else in downtown." He noted that downtown Denver sees about 12 million visitors annually. "Our job is to give people shopping and dining choices that they will not find in 'any mall USA' that you can find in the suburbs," Sidell said. He said that with neighbors such as Evan Makovsky, owner of the Sage Building (formerly known as Fontius), the upper end of the mall is staging a renaissance. "The great thing is that we don't have to create the downtown wave, we can just surf it," Sidell said. The nearby Hyatt Regency Denver will be subleasing the former Wolfgang Puck restaurant space on the second floor during the Democratic National Convention in August, he said. "That will help give us some additional exposure during the DNC," Sidell said. Tami Door, president of the Downtown Denver Partnership, said it's exciting to have local ownership of the Pavilions, especially with such a storied name as the Gart family. "This further

continues the momentum downtown," Door said. "Two separate Urban Land Institute panels . . . identified that core area around the 16th Street Mall as a future urban village. I really think that area is going to boom." Last year, the Pavilions generated about \$3.75 million in sales and property taxes to pay for Denver Urban Renewal Authority tax increment financing bonds. Tax increment fund bonds financed the construction a decade ago, when the area was considered blighted. Gart Properties also owns the California Mall, on the other side of the 16th Street Mall. "That gives us almost three blocks from California Street to Tremont Place along the mall," Sidell said. **(Rocky Mountain News)**

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### **Office Market 'Steady' in Second Quarter**

The Denver-area office market was "slow and steady" in the second quarter of 2008, according to Denver commercial real estate brokerage firm Frederick Ross Co. Leasing activity stayed "constant" for the period, with 214,211 square feet of positive absorption, said a Ross report released Monday. For this year's first quarter, the market absorbed 276,082 square feet. But year over year, second-quarter absorption was down from a little more than 1 million square feet in the second quarter of 2007. Median office rent metrowide for all product types -- Class A, B and C buildings -- was \$19.40 per square foot per year for the period, according to the Ross report. "The general feeling in the market is one of keeping a national downturn at bay," the report said. Part of that optimism is based on continuing metro-area job growth. As of the end of May, the Denver area had 1.9 percent job growth, compared to flat job growth nationwide, according to Ross. Several national corporations also are expanding or relocating here -- including ConocoPhillips Co. (NYSE: COP), Siemens AG (NYSE: SI), United Launch Alliance and Charles Schwab Corp. (NASDAQ: SCHW). Other second-quarter office market statistics in the report include:

- Vacancy rate was basically flat from earlier this year at 15.59 percent; it was 15.19 percent in this year's first quarter.
- 1.52 million square feet of space were sold in the second quarter, compared to 3.3 million square feet in 2007's second period and 1.54 million in this year's first quarter. "Totals are likely to rise in forthcoming quarters, as numerous trophy assets are in the process of being sold, including Seventeenth Street Plaza and 1801 California," the report said.
- The metro area's most active submarket was the Northwest/U.S. 36 corridor, with strong tenant demand as evidenced by 70,935 square feet of absorption. Median rent for all product types was \$19.50 per square foot, up from \$17.94 in last year's second period.
- The central business district had "modest expansion," with 51,035 square feet of absorption. Overall median rent for the period was \$27.25 per foot.
- The southeastern suburbs dominated by the Denver Tech Center had a "mild" second period, with negative absorption of 66,811 square feet. Rents remained stagnant from the first quarter, with a median rent of \$20.25 per square foot, but up from a median of \$18 a square foot in last year's second quarter. **(Denver Business Journal)**

## Commercial Real Estate Sales Dive in First Half of 2008

Investors paid a little more than \$1 billion for commercial properties in the Denver area in the first half of the year, a 62 percent drop from the \$2.7 billion in sales in the first six months of 2007, according to a report released on Wednesday. Cushman & Wakefield broker Patrick Devereaux, who compiled the report, and fellow broker Gene Pride, project about \$2.05 billion in sales this year, compared with \$4.1 billion last year. A number of trophy downtown buildings are on the market, including the World Trade Center, 17th Street Plaza and 1801 California, which will boost this year's sales tally, Devereaux said. The two biggest sales this year - the \$94.5 million that Gart Properties and ING Clarion paid for the Denver Pavilions, and the \$84 million USAA Real Estate paid for the Denver Financial Center downtown - accounted for almost 18 percent of the total dollar volume. Overall, the Denver-area commercial real estate market remains strong, but is slowing, Devereaux said. "Fundamentals of commercial real estate (in the Denver area) remain strong," especially when compared with most markets in the country, which boomed and are now settling down, Devereaux said. Office lease rates, for example, are still rising, but not as much as they did in 2007. Downtown office lease rates rose 8 percent in the first half of the year, compared with about 25 percent in 2007 from 2006, he said. "Downtown continues to outperform the suburban market," Devereaux said. Downtown's office vacancy rate is about 9.5 percent, compared with 12.4 percent for the southeast corridor, he said. If the national economy heads into a recession, or suffers a major downturn, Denver should weather it better than than most cities, Devereaux said. The Denver office market didn't go through the wave of overbuilding of many other cities, keeping a lid on supply, he said. Brad Neiman, an executive of Denver-based Fleisher Smyth Brokaw, who tracked the Denver market for about three decades, said it likely will take the rest of this year and all of 2009 for the commercial real estate market to work through all of the problems, such as the worldwide collapse of capital markets. "Every product type has a question mark attached to it," Neiman said. "Investors are pricing the risk into offers they are making and there is a significant gap between what investors are willing to pay and what sellers think their properties are worth." **(Rocky Mountain News)**

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	CURRENT	1 MONTH PRIOR	1 YEAR PRIOR
FED FUNDS RATE	2.00	2.00	5.25
3 MONTH LIBOR	2.79	2.45	5.32
PRIME RATE	5.00	5.00	8.25
10 YEAR TREASURY	3.99	3.89	5.07
30 YEAR TREASURY	4.53	4.63	5.16