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### Leading Indicator Shows Decline in Commercial Real Estate is Slowing

Commercial real estate activity has suffered from a severe credit crunch for commercial sectors, sustained job losses and weak consumer spending, although the decline appears to be slowing. A forward-looking indicator shows commercial real estate will remain weak into 2010, but recent actions by the Federal Reserve should improve some flow of capital into commercial lending, according to the National Association of Realtors (NAR). The Commercial Leading Indicator for Brokerage Activity declined 1.3% to a reading of 101.5 in the second quarter from a downwardly revised reading of 102.8 in the first quarter. It is 13.7% below the 117.6 recorded in the second quarter of 2008. The index is at the lowest level since the first quarter of 1994; NAR's track of the commercial leading indicator dates back to 1990. The index is designed to provide early signals of turning points between expansions and slowdowns in commercial real estate and is based on a series of 13 quarterly data components such as industrial production, the REIT Price Index and the NCREIF Total Return index. Lawrence Yun, NAR chief economist, noted the pace of decline moderated, but the leading indicator has fallen sharply and quickly from the peak, suggesting much lower business opportunities for commercial real estate practitioners engaged in leasing, sales and property management. "The reduction in commercial real estate activity is expected at least through the first quarter of 2010. Any meaningful recovery is not likely to occur before the second half of next year." The decline is driven by falling industrial production, far fewer jobs requiring office and retail space, a fall in durable goods shipments, much lower personal spending, lower retail and wholesale sales and a negative return on commercial investment. "With the economic recession likely coming to an end within six months, a recovery in commercial real estate may soon follow," Yun said. "The office sector requires job growth to fuel the demand for additional space, the industrial sector needs a rise in production and the retail sector is tied to consumer spending. Multifamily housing - the apartment market - often performs in reverse to trends in home sales, but can improve if there is sufficient household growth." **(National Real Estate Investor)**

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### Bernanke Says US Economy on Cusp of Recovery

Federal Reserve Chairman Ben Bernanke declared Friday that the U.S. economy is on the verge of a long-awaited recovery after enduring a brutal recession and the worst financial crisis since the Great Depression. Economic activity in both the U.S. and around the world appears to be "leveling out," and "the prospects for a return to growth in the near term appear good," Bernanke said in a speech at an annual Fed conference in Jackson Hole, Wyo. The upbeat assessment was consistent with the Fed's observations earlier this month as it took a small step toward pulling back some emergency programs to revive the economy. Still, Bernanke stressed Friday that despite much progress in stabilizing financial markets and trying to bust through credit clogs, consumers and businesses are still having trouble getting loans. The situation is not back to normal, he said. Restoring the free flow of credit is a critical component to a lasting recovery. "Although we have avoided the worst, difficult challenges still lie ahead," Bernanke told the gathering. "We must work together to build on the gains already made to secure a sustained economic recovery." Strains in financial markets worldwide persist. Financial institutions face "significant additional losses" on soured investments and many businesses and households are

experiencing "considerable difficulty" in getting loans, he said. The Fed chief's remarks come two years after the financial crisis broke out and nearly one year after it had deepened to the point of sending the nation into a near meltdown. The bulk of Bernanke's speech was a chronicle of the extraordinary events of the past year. Financial markets took a turn for the worst starting last September and into October, nearly shutting down the flow of credit. The crisis felled storied Wall Street firms and forced the government to take over mortgage giants Fannie Mae and Freddie Mac, as well as insurance titan American International Group Inc. Despite efforts to save it, Lehman Brothers failed. It filed for bankruptcy on Sept. 15, the largest in corporate history, which roiled markets worldwide. To prop up shaky banks, the government created a \$700 billion bailout fund, a program that proved wildly unpopular with an American public suffering fallout from the recession. The Fed swooped in with unprecedented emergency lending programs to fight the crisis. It eventually slashed a key bank lending rate to a record low near zero. And Congress enacted programs to stimulate the economy, the most recent coming in February with President Barack Obama's \$787 billion package of tax cuts and increased government spending. "Without these speedy and forceful actions, last October's panic would likely have continued to intensify, more major firms would have failed and the entire global financial system would have been at serious risk," Bernanke said. Unlike in the 1930s, Washington policymakers this time acted aggressively and quickly to contain the crisis, said Bernanke, a scholar of the Great Depression. "As severe as the economic impact has been, however, the outcome could have been decidedly worse," he said. Global cooperation in battling the crisis was crucial, with central banks slashing interest rates and the U.S. and other governments delivering fiscal stimulus, he noted. "The crisis in turn sparked a deep global recession, from which we are only now beginning to emerge," the Fed chief observed. Sponsored by the Federal Reserve Bank of Kansas City, the conference draws a virtual who's who of the financial world - Bernanke's counterparts in other countries, academics and economists. This year's forum focused on lessons learned from the crisis and how they can be applied to prevent a repeat of the debacles. To that end, Bernanke again called a rewrite of the U.S. financial rule book - something Congress is currently involved in. He again pressed for stricter oversight of companies - like AIG - whose failure would endanger the entire financial system and the broader economy. Obama would tap the Fed for that job, something many lawmakers in Congress don't like. Bernanke also said the U.S. needs a process to wind down big, globally interconnected companies, much like the Federal Deposit Insurance Corp. does for failing banks. (AP)

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### **Denver-Area Jobless Rate at 8% in July**

Unemployment in the Denver area reached 8 percent in July, according to raw county-level job data released Friday by the Colorado Department of Labor and Employment. The jobless rate for the Denver-Aurora area stood at 7.9 percent in June and 5 percent in July 2008. The numbers are not seasonally adjusted, meaning a month-to-month comparison is less valid than year-to-year because of normal seasonal employment changes. Total employment in the Denver-Aurora area was 1,280,169 in July, down a bit from June's 1,290,193 and also down from July 2008's total of 1,336,794, according to the unadjusted state data. Those figures include most metro-area counties but not Boulder. With Boulder County included, the

regional jobless rate stood at 7.9 percent in July, unchanged from June and up from 5 percent in July 2008. **(Denver Business Journal)**

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### **WINDOW DRESSING - Landlords with Empty Storefronts to Sell Ads in the Space**

Several vacant storefronts in Denver are about to get dressed up with eye-catching advertisements as landlords with empty street-level spaces look for ways to make them pay, even without tenants. Sturm Realty Group is working on a deal with New York-based Inwindow Outdoor to liven up its empty retail space at 158 Fillmore Plaza. Gart Properties recently signed an agreement with Orlando, Fla.-based Monster Media for the former Virgin Megastore windows fronting the 16th Street Mall. "Given our particular situation, where we have intentionally held some storefronts off the market, it at least provides some activity at the street level," said Taber Sweet, real estate manager for Sturm Realty Group, owner of the Fillmore property. "It livens up a storefront that otherwise would sit empty." Gart wants Monster Media to swap out its ads frequently so the content doesn't get stale, said Susan Cantwell, the company's director of leasing. "We're much more interested in something exciting and cool than we are in making a little bit of cash," Cantwell said. That said, the arrangement does help landlords offset revenue loss associated with rising vacancy rates. Companies such as Sprint, Snickers, JetBlue and Pepsi pay Inwindow Outdoors to create temporary displays for the windows. "It's dressing up the storefront to make it more attractive, and in most cases it does attract people and maybe prospective tenants to the space," said Ray Lee, Inwindow's managing director of real estate. "We're taking a storefront with no activity to a perceived value with a sense of activity. Neighboring merchants like it because they're not sitting next to a vacant set of windows." Inwindow expects to have its first ads in Denver by the fourth quarter, Lee said. In addition to the Cherry Creek property, Inwindow is working with landlords at 1520 Market St. and 910 15th St. The ads themselves range from static to interactive, with components such as touch screens, 3-D, holograms and Bluetooth to engage the pedestrian. Sweet said he has not been told which company will be advertising on Fillmore. While the concept of third-party advertising in empty windows is relatively new to Denver, keeping vacant storefronts interesting is common. Larimer Associates, for example, has wrapped the windows of the former Z Gallerie space on Larimer Square with a bright collage of photos promoting Larimer Square to ensure that the vacant space conveys the district's vibrancy. "We're trying to keep the area vital, colorful and exciting," said Margaret Ebeling, spokeswoman for Larimer Associates. "If you have empty storefronts, people have this natural belief that something's wrong. That's not always the case - it's just space in transition. It's window dressing." **(Denver Post)**

	<b>CURRENT</b>	<b>1 MONTH PRIOR</b>	<b>1 YEAR PRIOR</b>
<b>FED FUNDS RATE</b>	.25	.25	2.00
<b>3 MONTH LIBOR</b>	.39	.50	2.81
<b>PRIME RATE</b>	3.25	3.25	5.00
<b>10 YEAR TREASURY</b>	3.56	3.49	3.83
<b>30 YEAR TREASURY</b>	4.36	4.39	4.46

