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Former Gates HQ Buildings Nearly Leased Up After a Year

Denver's office market is doing just fine, but it's looking especially good from the vantage point of close-in transit-oriented developments. Broadway Station, the former Gates Corp. headquarters at Interstate 25 and Broadway, has snagged 260,000 square feet worth of tenants in the last year, pulling them from downtown, the southeast submarket and other areas. "We see tenants from every direction," said broker Jason Addlesperger of Frederick Ross Co. "I'd love to have another building there." **(Colorado Real Estate Journal)**

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Investment in Commercial Real Estate Falls

Investment in Denver-area commercial real estate was down in all categories except apartment properties for the 12 months through the second quarter, according to LoopNet Inc. In the biggest purchase category -- office buildings -- investors acquired \$2.5 billion in properties for that period, down from \$4.54 billion for the same period a year ago. It should be pointed out that metro Denver had its largest commercial real estate deal ever in 2007's first quarter, with the \$770 million sale of five downtown Denver office buildings to Callahan Capital Partners LLC by The Blackstone Group LP. Average selling price for office space per square foot also decreased, to \$146 from \$174. Downtown Denver office space in the last year sold for \$184 per square foot on average, compared to \$232 for the same period a year earlier. Most buyers -- 57 percent -- were institutions or foreign investors. Office space capitalization, or "cap," rate averaged 7.3 percent, up from 7 percent. Cap rate is the rate of return used to calculate the capital value of an income stream. Based in San Francisco, LoopNet (NASDAQ: LOOP) provides commercial real estate information. Other investment data for metro Denver, for the previous 12 months through June compared to the same period a year earlier, includes:

- Apartment investment -- Up to \$1.59 billion from \$1.46 billion. Average price per unit decreased to \$95,008 from \$96,713. Most buyers -- 59 percent -- were private. Cap rate rose to 6.9 percent from 6 percent.
- Retail investment -- Down to \$616 million from \$1.28 billion. Selling price per square foot down to \$168 on average, from \$182. The largest category of buyer, at 54 percent, was private investors. Cap rate increased to 7 percent from 6.7 percent.
- Industrial investment -- Down to \$615 million, or \$68 per square foot on average, from \$674 million, or \$71 a foot. Warehouse space led the way in sales, with \$389 million, compared to \$226 million for flex space, which combination of types of space including office, laboratory and warehouse footage. Most buyers -- 57 percent -- were private. Cap rate roughly flat at 7.1 percent. **(Denver Business Journal)**

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Bernanke Financial Crisis Taking Toll on Economy

Federal Reserve Chairman Ben Bernanke said Friday the financial crisis that has pounded the country - coupled with higher inflation - is taking a toll on the economy and poses a major challenge to Fed policymakers as they try to restore stability.

"Although we have seen some improved functioning in some markets, the financial storm that reached gale force" around this time last year "has not yet subsided, and its effects on the broader economy are becoming apparent in the form of softening economic activity and rising unemployment," Bernanke said in a speech to a high-profile economics conference here. Although Bernanke welcomed the recent drops in prices for oil and other commodities, and believes inflation will moderate this year and next, the Fed chief said the inflation outlook remains highly uncertain. The Fed, he said, would monitor the situation closely and will "act as necessary" to make sure that inflation doesn't get out of hand. The current financial and economic environment is one of the most challenging to Fed policymakers "in memory," he acknowledged. **(AP)**

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Zell Shifts to Investing in Distressed Debt

Real estate billionaire Sam Zell responds to a question on his purchase of the Tribune Company during a news conference at the Tribune Tower in Chicago, Thursday, Dec. 20, 2007. Zell took control of newly private Tribune Co. on Thursday and began shaking up the newspaper and TV company the moment the \$8.2 billion buyout he led closed, reshuffling the board, naming two top executives and promising more action ahead. Billionaire Sam Zell, founder of the largest publicly traded apartment landlord in the U.S., is investing in distressed debt instead of real estate stocks or property and expects a housing recovery next year. "We believe that the opportunities, particularly in difficult situations, are in the debt," said Zell, who is looking to buy both real estate debt and distressed corporate debt now trading at a discount. He declined to be specific. The U.S. may see the bottom of the single-family housing market early next year, Zell, 66, said in an interview Thursday with Bloomberg Television. "I think it will be relatively fragile as confidence builds, and it will take probably another year for confidence to be completely returned." Zell sold Equity Office Properties Trust, then the largest U.S. commercial landlord, for \$39 billion to Blackstone Group LP in 2007 and isn't yet ready to start buying property again, he said. **(Denver Post)**

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Ups, Downs in Apartment Vacancies

Trends in the apartment market throughout the state are mixed, according to a survey released Thursday. Apartment vacancies were up in Fort Collins and Colorado Springs, but Greeley showed a significant decline in vacancies during the second quarter, according to the report released by the Colorado Department of Local Affairs' Division of Housing. "There's no one trend right now going on in the state, which demonstrates that there's no one economy in the state right now," said Ryan McMaken, a spokesman for the Division of Housing. " Meanwhile, all areas of the state reported increases in rental rates. The average increase was around \$30 a month. "It's the increased cost of doing business," said Gordon Von Stroh, a professor of management at the University of Denver. "Electricity and gas for common areas is up, redoing parking lots costs more and insurance is more. It's more of a cost push rather than a price pull because of greater demand." In Fort Collins, the vacancy rate rose to 9.5 percent, compared with 8.5 percent a year ago. Colorado Springs vacancies climbed to 10.2 percent, up from 9.6 percent a year ago. Grand Junction has record-low vacancies of 1.6 percent, and Loveland reported the

lowest vacancy rate on the Front Range, falling to 5.7 percent from 10.4 percent a year ago. "Grand Junction is still very tight because of oil and gas development," Von Stroh said. "There's still a great demand for rental housing by oil-field workers and support people for that industry." The metro Denver vacancy rate is 6.2 percent, unchanged from a year ago. Pueblo's vacancy rate was down to 6.4 percent from 8.4 percent last year, and Greeley's vacancy rate dropped to 6.1 percent from 8.3 percent last year. The tornado that hit Windsor in May is one of the factors that pushed the vacancy rate lower in Greeley, Von Stroh said — that and jobs created by businesses such as Leprino Foods locating in Greeley. **(Denver Post)**

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	CURRENT	1 MONTH PRIOR	1 YEAR PRIOR
FED FUNDS RATE	2.00	2.00	5.25
3 MONTH LIBOR	2.81	2.80	5.50
PRIME RATE	5.00	5.00	8.25
10 YEAR TREASURY	3.87	4.11	4.64
30 YEAR TREASURY	4.46	4.67	4.94