

August 31, 2009

A Denver Based Commercial Real Estate Investment and Management Company
Contact Ken Gillis at 303-407-8715

Denominator Effect Reverses

International realtor Cushman & Wakefield said the second half of 2009 is set to see a turnaround in indirect investment flows by institutions as the "denominator effect"-cutting real estate exposure to balance-mixed portfolios against other asset classes-reverses. "While many institutional investors used the first half of the year in particular for the strategic realignment of their portfolios in view of the global economic crisis and, as a result, made negligible investments in indirect real estate assets, there are increasing signs that we are about to enter a renewed phase of investment," says Martin Braun, head of C&W's capital markets group in Germany. Last year saw a 60% drop in institutional investment volumes in indirect property, but over the past few months, many have expanded holdings as a result of the disproportionate devaluation of stocks and commodity portfolios, now slightly recovered. Christian Bock, consultant with C&W's corporate finance team, commented, "Initially, this denominator effect adversely affected the investment activities of institutional investors, causing them to shy away from additional real estate investments. This was especially true of institutional investors such as German insurers and pension funds which are subject to certain quantitative limitations in terms of maximum real estate investment limits. With prospects of stabilization of the entire economy and a recovery of the stocks and commodities markets, there is again increasing scope for real estate investments." In addition to products with an investment focus on Germany, increased interest has also been observed in real estate funds investing in Anglo-American real estate in particular. "In the US and UK in particular, i.e. the two markets that experienced the most severe price corrections, it is certainly a propitious time to enter the market," Braun said. However, he continues, investors will need to ensure they select a fund manager with proven experience, pursue a realistic business plan and get their timing right. (Globest.com)

...

Leading Indicators Signal Recession's End

"Looks like the recession ended in June," Tim Quinlan, economic analyst for Wells Fargo Securities, wrote in a research note. The National Bureau of Economic Research, which officially calls the beginning and end of economic cycles, has in the past set an end-date to recessions after several consecutive months of gains in the leading indicators, he said. But even when the downturn is over, "it's still going to feel like a recession to the average consumer, the average business," Goldstein said. The U.S. likely saw economic growth early in the current July-September quarter as the Cash for Clunkers program boosted auto sales, said Jennifer Lee, economist with BMO Capital Markets. An accompanying index meant to measure the current state of the business cycle was flat in July, after dropping for eight straight months, the Conference Board said. Meanwhile, the six-month growth rate rose to 3 percent through July, up from 2.1 percent through June. That's the highest growth rate since mid-2004, the Conference Board said. However, July's 0.6 percent growth was slower than the 0.8 percent rise in July and 1.2 percent gain in May. Economists polled by Thomson Reuters had expected the indicators to rise 0.7 percent last month. Six of the 10 indicators that comprise the index increased in July, including employment data and stock prices. The biggest gainer was the "interest rate spread," the difference between yields on 10-year Treasuries and the federal funds

rate, which the Federal Reserve is keeping at a record low near zero. The funds rate is the interest banks charge each other for loans. A big difference between it and the 10-year Treasury is viewed as positive because investors are willing to lend for longer periods. Consumer expectations hindered growth in the Conference Board index last month more than any other factor. Job losses and worries about making mortgage payments continue to weigh on spending by American shoppers, which power 70 percent of the U.S. economy. Many private economists and the Fed expect the unemployment rate to hit double digits by next year. The jobless rate was 9.4 percent in July. The Labor Department on Thursday said the number of new jobless claims rose to a seasonally adjusted 576,000 last week from 561,000 the previous week. Wall Street economists expected a drop to 550,000, and initial claims need to fall to 325,000 or below to indicate a healthy economy. Unemployment is exacerbating the problem in housing. Delinquencies and foreclosures hit a record-high during the second quarter, according to the Mortgage Bankers Association. More than 13 percent of American homeowners are behind on payments or in foreclosure. That's bad for consumer spending. "You're not going to go on vacation or buy yourself new furniture unless you're able to make your mortgage payments," said Lee. "The foreclosure problem is definitely going to be a huge overhang. The U.S. consumer is still in poor financial health." **(AP)**

...

Commercial Real-Estate Lending Stronger in Denver than Rest of Nation

Commercial real estate lending conditions in Denver remain better than the nation as a whole, but Denver's rate of decline accelerated faster than the national average during the second quarter, according to quarterly data published by Banc Investment Group. "In Denver, the good news is that it hasn't deteriorated as much," said Chris Nichols, CEO of Banc Investment Group. "Particularly industrial properties and office properties, while they've deteriorated, it's been less [than the nation]," Nichols said. "That's the good news. The bad news is that the rate of decline in Denver has picked up somewhat, and is accelerating more than the nation. We suspect there's a lag in the Denver market versus the national." Banc Investment Group (BIG) is the capital markets subsidiary of San Francisco-based Pacific Coast Bankers' Bancshares. The BIG CRE Index is a forward-looking benchmark of relative strength of commercial real estate (CRE) lending conditions for community banks. In the second quarter, the nationwide BIG CRE Index fell 9.3 points, or 11.5 percent, to 71.24. From the index's baseline period beginning April 30, 2007, lending conditions for community banks have deteriorated by 28.7 percent, according to the index. In Denver, the office sector conditions index was at 83.54 in the second quarter, compared with 78.73 for the nation. But Denver's office index declined nearly 6 percentage points from the first quarter to the second quarter, compared with a drop of 4.8 percent for the national index. Denver's retail index fell nearly 18 percent to 66.55, while the national retail index fell 15.8 percent to 65.99. Denver's multifamily and industrial sectors also declined, to 85.63 and 62.92, respectively. Denver is facing the same trends seen across the country, Nichols said. "Mostly, it's just general economic decline, which means less demand for office and industrial space," he said. "We're also seeing the secondary effect of notes being sold at discounts, so less cash flow is required, giving more catalyst to drop rents." Investors who buy CRE notes at discounts don't have as much principal at risk, and require less cash flow, Nichols said. That makes them more apt to lower rents, which pressures rents on surrounding properties. **(Denver Business Journal)**

Real Deals: Littleton Shopping Center Sells for \$22M

View Larger The Market at SouthPark grocery-anchored shopping center in Littleton has been sold for \$22 million, according to Arapahoe County property records. The 190,000-square-foot shopping center, located at 7903 S. Broadway, was purchased by ACF Property Management Inc. of Denver, as Market at SouthPark 90 LLC, public records show. The retail property was sold by insurance giant Teachers Insurance & Annuity Association of America, College Retirement Equities Fund (TIAA-CREF). Investment brokers Mike Winn and Tim Richey at Cushman & Wakefield Inc. in Denver represented both sides in the sale. The Market at SouthPark purchase was ACF's second of the year, according to the brokers. The local investor also purchased the 100,000-square-foot Broomfield Marketplace for \$13.1 million from BlackRock Inc. (NYSE: BLK) in the second quarter. The center is anchored by King Soopers, and also recently included tenants such as Big Lots, Office Depot and a Blockbuster video store. In a major recent industrial deal, the Estes Express Lines Inc. trucking company of Richmond, Va., has purchased an Aurora industrial property for nearly \$6 million. Adams County real estate records show Estes Express paid \$5.97 million for the property at 15950 Smith Road. The seller was YRC Worldwide Inc. The purchase is part of Estes' real estate investment efforts, according to a company spokeswoman. "We've bought several YRC properties," she said. The Aurora property includes an office building, transit warehouse and service garage on roughly 37 acres, according to county records. Estes Express has three terminals serving Colorado, according to the company, including locations at 5375 E. 56th Ave. in Commerce City and in Colorado Springs and Grand Junction. YRC is a global trucking and transportation company based in Overland Park, Kan., which used to be called Yellow Roadway Corp. Other recent, significant Denver-area commercial real estate sales and leases, according to public records and brokers, include:

- 5760 Ward Road, Arvada 80002-1312 — FTK Properties LLC of Littleton purchased this retail property for \$1.48 million. The seller was Trover & Jones Consulting LLC.
- The Clarkson Apartments, 724-742 E. 10th Ave., Denver 80203 — This 16-unit, two-story apartment building in Capitol Hill sold for \$1.25 million, or \$78,125 per unit, to MoonStar 696 LLC of Denver. The seller was the Blum family of metro Denver, according to Denver County property records. Unique Properties LLC represented MoonStar in the deal.
- 11585-11685 E. 53rd Ave., Denver 80239 — Larsen Warehousing & Distribution Inc. has leased 126,320 square feet in this industrial building. Colliers Bennett & Kahnweiler Inc. (CBK) represented landlord The Realty Associates Fund VIII LP in the deal. Jones Lang LaSalle Inc. was a cooperating broker.
- Greeley Commons, 4711 W. 29th St., Greeley 80637 — Sprouts Farmers Market LLC has leased 21,236 square feet of space from Kimco Realty Corp. CBK represented the tenant in the deal.
- 555 17th Street (formerly Anaconda Tower), 555 17th St., Denver 80202 — San Francisco-based law firm Gordon & Rees LLP has moved its Denver office to 19,127 square feet of space on the 34th floor of this downtown Denver office building. The

firm, which came to Denver in 2007, formerly was located at nearby Republic Plaza. Gordon & Rees made the move because its Republic Plaza lease was expiring. Tenant representation specialist Studley Inc. represented the law firm in the lease transaction. **(Denver Business Journal)**

...

	CURRENT	1 MONTH PRIOR	1 YEAR PRIOR
FED FUNDS RATE	.25	.25	2.00
3 MONTH LIBOR	.35	.49	2.81
PRIME RATE	3.25	3.25	5.00
10 YEAR TREASURY	3.46	3.66	3.78
30 YEAR TREASURY	4.21	4.51	4.39

