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Apartment Vacancy Rates Rise to 6.2%

Apartment vacancy rates in the Denver area increased to 6.2 percent in the second quarter from 5.9 percent in the first quarter, but monthly rents hit a record high of \$886.14, according to the Apartment Association of Metro Denver and the Colorado Department of Local Affairs' Division of Housing report released Wednesday. Landlords, to a certain extent, are trading higher rents for lower occupancy rates, said Gordon Von Stroh, author of the report, and Steve Rahe, an apartment broker with CB Richard Ellis. Von Stroh, a University of Denver business professor, said that, historically, 60 percent of the time vacancy rates drop during the second quarter from the first. Twenty percent of the time they rise and 20 percent of the time they remain unchanged, he said. For the full report: dola.colorado.gov/cdh
(Rocky Mountain News)

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Denver Prices Holding Up in Housing Study

Denver-area housing is bucking a national trend, showing a price decline of only 4.8 percent in May from May 2007, according to the S&P/Case-Shiller Home Price index released on Tuesday. During the same period, housing prices in the 20 metropolitan areas tracked in the report declined by a record 15.8 percent. Only two cities, Dallas and Charlotte, N.C., showed smaller drops than Denver. Charlotte prices fell by 0.2 percent and Dallas by 3.1 percent. From April to May, Denver home prices rose 1 percent, matching increases in Boston, Charlotte and Dallas. Mike Cox, of RE/MAX Professionals, said the Case-Shiller report confirms his belief that Denver's housing market will recover faster than formerly hot cities such as Las Vegas, Miami, Phoenix and areas in California. "You kind of don't know when you hit bottom until you have started to come out of it," Cox said. "In one sentence, I think what is going on in Denver is that buyer confidence is starting to return. And when you take fear out of the equation, things get better." He said he thinks Denver home prices will be higher in a year. David Binkowski, owner of Real Estate of the Rockies, said the report shows that "Denver is sort of ahead of the curve. I think things are stabilizing." He said sales at his company are up 33 percent from a year ago and he is opening new offices. "This has been our best year ever," he said. Lou Barnes, principal of Boulder West Financial, and a longtime critic of the Case-Shiller report, said the overall Denver-area market is flat, with pockets of strength and areas where home prices are plummeting. "The total number of home resales have fallen nationally from about 7 million in their peak in 2006 to about 4.5 million today," Barnes said. "And the total number of foreclosures have gone from less than 500,000 to as many as 1.5 million this year," Barnes said. "We know that foreclosures trade at a discount, so that is simply a matter of arithmetic that with fewer sales, the foreclosures are going to magnify a price decline when figuring out averages." He said Office of Federal Housing Enterprise Oversight data, a government report that includes refinances, is a better indicator of the direction of the housing market. It shows a flat market locally. However, Barnes said it is far from certain that overall Denver-area prices will be higher a year from now. "There is so much riding on the national economy that it is hard to figure out," he said.
(Rocky Mountain News)

Colorado Adds 31,500 Jobs

Colorado employees on nonfarm payrolls increased by 1.3 percent during the past year, to nearly 2.39 million, the federal Bureau of Labor Statistics said Wednesday. That's an addition of 31,500 jobs. Grand Junction had the largest increase in nonfarm job growth in Colorado, at 4.4 percent, or another 2,800 people. Colorado's civilian labor force grew by 2.4 percent year-over-year. The civilian labor force — those people 16 and older who aren't in prison, institutionalized or in the military — increased to 2.78 million at the end of June. That's an additional 65,600 people since June 2007. The preliminary numbers for June aren't seasonally adjusted. The ranks of the unemployed grew as well, rising to 148,200 people from 104,700 from June 2007. Colorado's unemployment rate increased to 5.3 percent from 3.9 percent from June 2007. Among the seven metro areas included in the report, the jobless rate was highest in Pueblo, at 6.7 percent. The year-ago unemployment figure was 5 percent. The lowest rate was 4.3 percent in Grand Junction, which was up from 3.3 percent a year earlier. Nationally, the jobless rate increased to 5.7 percent from 4.7 percent a year earlier. **(Denver Business Journal)**

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Latest Jobs Report Suggests Demand to Weaken for Commercial Space

Accelerating employment losses in June portend further softening in demand for commercial real estate in the second half of 2008. The nation sustained a net loss of 62,000 non-farm payrolls in June to punctuate six consecutive months of contracting employment, according to preliminary data from the Bureau of Labor Statistics. The employment report's overall data masked more severe losses in industries that drive demand for commercial space, according to Sam Chandan, chief economist at real estate research firm Reis. "Job losses in professional and business services are relatively much larger than the overall declines," Chandan says. "We can see a similar situation for goods-producing sectors, including construction and manufacturing." Manufacturing, another demand driver for commercial real estate owners, racked up 33,000 job losses in June and would have been greater if not offset by employment gains in motor vehicles and automotive parts, which edged up 6,000 over the previous month. Those gains in the automotive industry are likely anomalous, however, and largely reflect the return of striking workers and others put out of work during recent plant shutdowns, according to the Bureau of Labor Statistics. Over the past 12 months, manufacturing has lost 353,000 jobs. Construction was the loss leader in June with 43,000 job losses; since its peak in September 2006 construction employment has fallen by 528,000. While the construction industry has only a limited direct impact on demand for office and industrial space, it serves as a barometer on economic activity. Not surprisingly, the greatest construction job losses have occurred on the residential side. Government data shows residential building employment fell 11% in the past year with the loss of 345,000 jobs, while non-residential construction employment fell by 106,000 or 2.4% over the same period. The commercial construction business may be healthier than it appears, however. Ken Simonson, chief economist for the Associated General Contractors of America, believes non-residential construction employment has risen about 9% since June 2007, contrary to the 11% drop reported by the Bureau of Labor Statistics. Based on a 27% decline in residential construction spending, Simonson believes roughly 500,000 former residential construction workers are now working on commercial projects, but are labeled residential workers because their

employers haven't changed their filing status from to commercial. "Such an increase could also explain why average hourly earnings in construction rose more than for all private production and nonsupervisory workers -- 3.7% vs. 3.4% -- from June 2007 to June 2008," Simonson says. In another positive sign for nonresidential construction, architectural and engineering services added 3,000 jobs in June and rose by 34,000, or 2.4% over the past 12 months. Absorption may already be suffering from the combined effects of a slowing economy and job losses among office-using companies. Office users have been leasing up properties at a slowing rate since the second quarter of 2007 and absorption recently turned negative, according to Property & Portfolio Research. The Boston-based market researcher tracked national office absorption at a negative 4.2 million sq. ft. in the second quarter this year. Job losses in June were partially offset by gains of 29,000 in education and health services, another 29,000 in government payrolls 24,000 in leisure and hospitality. Overall job declines are projected to continue into 2009, according to Reis. On the bright side, the nation is unlikely to experience the degree of job losses that followed the recession of 2001 because U.S. companies have maintained lean employment roles in recent years. "The baseline expectation," Chandan says, "is that the size and duration of these declines will be more manageable than during the protracted period of job losses that began with the recession of 2001 and persisted into 2003." **(National Real Estate Investor/Matt Hudgins)**

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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 | 2.79 | 5.36 |
| PRIME RATE | 5.00 | 5.00 | 8.25 |
| 10 YEAR TREASURY | 3.97 | 3.97 | 4.77 |
| 30 YEAR TREASURY | 4.57 | 4.50 | 4.92 |