

October 23, 2006

A Denver Based Commercial Real Estate Investment and Management Company
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The End of the Line was Project's Beginning

A Denver development group is officially unveiling a \$700 million, energy-efficient, transit-oriented development south of the Park Meadows mall. Today, about 100 people attending the Urban Land Institute's annual convention will ride the \$1.7 billion T-REX southeast light-rail line along Interstate 25 a month before it opens to the public and will tour the proposed mixed-use Lincoln Station site. The 35-acre site is being developed by a local partnership of Westfield Development Co. and the longtime landowners, the Bradbury family. "We felt this was the perfect forum for it, because you will have all of these intellectuals around the world who know about transit-oriented developments attending ULI," said Gary Woods, a real estate attorney who joined the Bradbury family as an equity investor about six years ago to work on the site, which the family has owned for about 45 years. More than 2 million square feet of office space, 2,000 residential units and 50,000 square feet of retail are allowed on the site in unincorporated Douglas County. Woods said he thinks it could serve as a model for a transit-oriented development that is anchored by offices rather than by residential or retail, as with other TODs. Lincoln Station Investors LLC, the development partnership, coined a word to describe it: goburb. "We're creating a goburb village, which is the intersection of urban and suburban," said Donald Slack, executive vice president of Westfield. The density at Lincoln Station will be about three times that of a typical suburban development, said Randy Schwartz, of Westfield. The first phase will be financed with \$30 million in equity and \$15 million in bank loans for tenant finish and brokerage fees. The group is shooting for a silver rating from the U.S. Green Building Council's LEED, or Leadership in Energy and Environmental Design, program for the office buildings. "It's a cultural shift for us to really embrace sustainability," McClintock said. In addition to insulated windows and indirect lighting, the project also will include an underflow air distribution system, which is considered healthier for employees than traditional air-flow systems. **(Rocky Mountain News)**

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Office Buildings Fetch \$44.2 Million

Three office buildings - one in lower downtown and two along the southeast suburban corridor - recently sold in two separate transactions for a total of \$44.2 million. In the LoDo deal, Grant Management, based in Norway, paid \$17.5 million to Denver-based Triumph Real Estate Corp. for the 119,454-square-foot Market Center building. Triumph bought the building in 2004 for \$13.25 million. In the other deal, California-based Somera Capital, in partnership with Denver-based Equity West Investment Partners, paid \$26.7 million for the Quorum building in the Denver Tech Center and the 304 Inverness Way South building in Inverness Business Park. The Cushman & Wakefield team of Mike Winn, Tim Richey and Chad Flynn handled the sale of the Market Center building at 17th and Market streets. Richey said interest from international companies such as Grant Management is becoming increasingly common in Denver. "Denver is now a first-tier city, and first-tier cities attract international capital," Richey said. When Triumph bought the Market Center building with its brick walls and wooden beams, it planned to sell individual units as office condominiums. "But the office leasing market in downtown, especially in

LoDo, bounced back faster than we expected," said Paul Ruff, president of Triumph. That's the reason, he said, that it made more sense to keep it as a rental building. When they bought the building, most of the office lease rates were in the \$13.50 to \$17 per square foot range. Now they are in the \$19.50 to \$24.50 per square foot range, he said. Somera and Equity West, led by David Naus, paid an average of \$103 per square foot for the 123,796-square-foot Quorum building and the 134,691-square-foot building in Inverness. The Quorum, at 7935 and 7995 E. Prentice Ave., will be renamed The Offices at the Promenade to reflect its location adjacent to the Bellevue Promenade retail center. **(Rocky Mountain News)**

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Commercial Vacancy Drop in Colorado Springs

Commercial real estate vacancy rates in Colorado Springs, CO fell to a six-year low in the third quarter, as leasing reached near record levels, according to a report from Turner Commercial Research. The combined vacancy rate for office, industrial and retail buildings fell to 7% as of Sept. 30, the lowest since 2000, according to the Colorado Springs firm. Much of the change came from large industrial buildings being converted to other uses such as entertainment centers or schools, and an expansion by commercial lumber wholesaler BMC West. **(LoopNews)**

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Colorado Job Numbers Drop in September

Colorado lost 700 nonfarm wage and salary jobs in September, a bigger-than-usual decline for the month, the Colorado Department of Labor and Employment reported on Friday. Total employment rose by 40,800 from the previous September's level of 2.247 million, for an annual gain of 1.8 percent. This is the first time in 15 months that fewer than 45,000 positions were added to Colorado payrolls in a 12-month period, and is the slowest rate of growth in nearly two years, the state employment department said. Nine of Colorado's 11 major industry groups cut jobs in September. The biggest decline was in seasonal industries, such as leisure and hospitality, which pared 10,300 positions. The trade, transportation and utilities sector, and the professional and business services sector, each cut about 2,500 jobs, while construction lost 1,900 positions. Government countered most of those losses, adding 19,100 jobs in September. State government employment rose 11,600 and local government employment rose 8,100. Colorado's seasonally adjusted unemployment rate fell four-tenths of a percentage point to 4.4 percent, down from 5 percent in September 2005. **(Rocky Mountain News)**

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Commercial Real-Estate Cycle Peaks and Will Pull Back in 2007

The commercial real-estate cycle appears to have reached its peak and will begin pulling back in 2007, according to a new survey of industry executives. The Urban

Land Institute, a Washington-based nonprofit planning and research group, and PricewaterhouseCoopers surveyed more than 600 developers, investors, brokers, consultants and lenders this summer for an annual report on the industry, dubbed Emerging Trends in Real Estate 2007. The survey suggests commercial real estate is beginning a return to its norm as an income-producing investment rather than the wildly appreciating asset class it has been this decade. The easy lending of the past several years will tighten next year in part because of worries about the economy, surveyed executives said. Investors will have to turn to asset management and operating performance to raise returns as investment inflows slow because of lower return expectations, respondents added. "I think it's a clear mandate from people that you're going to have to make money the old-fashioned way," says Stephen Blank, an Urban Land Institute senior fellow who specializes in real-estate capital markets. "You're going to have to earn it" through leasing, cost control and other asset management. The report also says real-estate investment trust stock prices "appear to have more downside risk than upside potential over the short term." Still, those surveyed expect commercial real-estate cash flow to continue to grow as factors such as reduced vacancies and higher rents keep improving across most property types. One reason: High construction costs are putting a damper on new construction. While the commercial real-estate market has exhibited some signs of a bubble in recent years -- driven by low interest rates and an influx of investment -- it has differed from the residential market. A key difference is that supply and demand have been more tied to vacancies and rents and not as closely linked to the rising interest rates that have cooled the housing market. The report advises investors to sell marginal properties and hold on to well-performing ones, with an eye to improving their performance in advance of a potential economic downturn. It advises developers to "hunker down," saying most property markets don't need much new space. A pullback in the galloping commercial real-estate market will raise capitalization rates -- the initial return on investment in the first year -- by as much as 0.7 percentage point in some property types and restrain the increase in property values, the report says. Falling cap rates mean investors are willing to take a lower return for their money. Cap rates are already rising in some areas, especially in lower-quality properties, after dropping between 2.5 and three percentage points to record lows over the past five years. Cap rates vary by property type, but high-income apartments, for instance, averaged a 5.66% cap rate in July, while limited-service hotels brought a 7.93% cap rate. The property sectors with a "buy" in the report are warehouse, which the executives interviewed said will boom on the East and Gulf Coasts because of overflow import traffic from the West Coast, and moderate-income apartments, especially on the coasts. Retail property fared worse, with executives suggesting consumer spending will be "middling" and advising investors to sell weak properties while holding strong ones. Those surveyed said Seattle is the best office market to invest in right now, with office rents set to rise and supply tight. The city is also sitting in a prime position to benefit from explosive growth in Asia and has the best potential of any American city to become the next "24-hour" hub like New York or San Francisco, according to the report. The report lists five U.S. cities as "global pathways" with bright futures for real-estate investment: New York, Seattle, San Francisco, Los Angeles and Washington. Philadelphia and Chicago are ranked among the worst markets for investment in all property types in the survey. Chicago is being dragged down by economic problems, the "Midwest malaise," the report says, while investors question Philadelphia's future as a global city since it lies between New York and Washington. **(Wall Street Journal)**

Convention Praises Denver's Prospects

The Urban Land Institute on Thursday released its influential "Emerging Trends" report and praised the metro area for the \$4.7 billion FasTracks project, which it calls the "nation's largest comprehensive mass transit development." The report, also sponsored by the accounting firm of PriceWaterhouseCoopers, said that developers "lick their chops at prime infill sites along transit corridors" and "Denver enjoys a big advantage over other more built-out Sunbelt agglomerations - namely, plenty of wide-open space in which to build lines and new mixed-use projects." ULI, which wraps up its biggest-ever convention today in Denver, did caution the city has to worry about overbuilding. The report said Denver is in the "sweet spot of an up cycle" but quoted one of the respondents to the survey as saying, "We're coming back, but then we build too much and fall down again." The report surveys the top players in commercial real estate across the U.S. Tom Clark, executive vice president of Metro Denver Economic Development - which contributed \$100,000 to the ULI convention, making it the largest single sponsor - said he was a bit worried about conventioners' reaction to the snow that hit the city Tuesday, the first day of the convention. By Thursday, he said he was being stopped by big-time money managers and developers from New York, Chicago and California who wanted to know whom to contact about investing in Denver. "The question I get the most is, 'How do you do it?' " he said. "By the end of the day, a lot of people at the conference were talking like they worked for our chamber of commerce." In 1990, the Emerging Trends report, which had a different sponsor, rated Denver as the worst investment market in the U.S. Thursday's report ranked Denver No. 28 out of 63 metropolitan areas in terms of prospects for commercial and apartment investments and development. It ranked New York as No. 1 and Detroit as last. Denver was just behind Portland, Ore. "I think events like this will help take Denver to the next level," veteran real estate investor, property manager and broker Doug Jones said after leaving a ULI workshop Thursday. **(Rocky Mountain News)**

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	CURRENT	1 MONTH PRIOR	1 YEAR PRIOR
FED FUNDS RATE	5.25	5.25	3.75
3 MONTH LIBOR	5.38	5.39	4.19
PRIME RATE	8.25	8.25	6.75
10 YEAR TREASURY	4.79	4.80	4.45
30 YEAR TREASURY	4.91	4.95	4.66