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

Downtown Mapping Out Retail Plan

Leaders at the Downtown Denver Partnership readily admit that retail has been "the missing link" in the evolution of the center city into a thriving community. While office and housing construction have boomed, vibrant retail is limited to a handful of developments such as Larimer Square and the Denver Pavilions. To change that, the Downtown Denver Partnership plans to arm itself with data that could eventually help steer downtown's retail evolution. "We're starting with the premise that downtown retail is kind of the last frontier," said Jim Kirchheimer, director of economic development for the partnership. "Retail hasn't kept up with the other development that is occurring." The partnership plans to compile an inventory of downtown retailers to determine what categories are represented and where holes exist. It will also create an inventory of available retail space, so it can market those spaces to merchants capable of filling those gaps. "We can't have a strategy until we know what the current situation is," Kirchheimer said. The partnership will launch its efforts, beginning in Lower Downtown, within the next few weeks. The partnership is negotiating with Littleton-based Design Mine Inc. to produce the map. The Downtown Denver Partnership is just the latest of a growing number of municipalities and business improvement districts that are turning the tables on retailers. Rather than waiting passively for retailers to come to them, they are arming themselves with data and using it to make the case for retailers to locate within their boundaries. "At the end of the day the goal is to come up with something that people can access from afar and that we can use as a tool to go out and be a little more proactive" in recruiting retailers, said Fabby Hillyard, executive director of the LoDo District. The district's board was considering preparing an inventory of its own when it was approached about becoming the first neighborhood in the Downtown Denver Partnership's plan, she said. The data will be converted into an interactive map that will be posted online in the first quarter of next year. The map is intended to serve residents searching for retailers and merchants seeking space. The partnership has previously surveyed downtown employees and residents to determine what kind of retail they most want to see downtown. Target and Whole Foods topped the list in the 2005 survey. The report also showed that just 2 percent of those who live in Denver and its inner-ring suburbs rank downtown as their favorite place to shop. "The Downtown Denver Partnership has been committed to updating its retail strategy since the 16th Street Mall was developed," said Mary Beth Jenkins, president of the Laramie Co., a Denver retail brokerage and consulting firm. The planned retail inventory will help them continue that effort, she said. **(Denver Post)**

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Broe Real Estate Buys 17-Story Trinity Place

Broe Real Estate bought the 17-story Trinity Place across from the Brown Palace hotel, giving the Cherry Creek-based company almost 600,000 square feet of office space in that area of downtown Denver. In addition to the 187,177- square-foot Trinity, which it bought last week from Chicago- based Equity Office Properties, Broe also owns the 1700 Broadway building, with almost 400,000 square feet, near Trinity. The sales price wasn't disclosed, but records indicate Broe paid about \$29.4 million for Trinity, or about \$155 per square foot. That is about half the replacement cost. "Conservatively, it would cost at least \$250 per square foot to replace it and maybe as much as \$300 per square foot," said Mark Best, chief operating officer of

Broe Real Estate. Mary Sullivan, who handled the sale with fellow CB Richard Ellis team members Tim Swan and Ron Urgitus, agreed. "This is a really good fit for Broe," Sullivan said. The building is 94 percent leased, but Sullivan said about 60 percent of the renters are going to turn over in the next three years. "That gives them an enormous opportunity, because rents are spiking," she said. "Year-to-date, rates are already up 15 percent and the vacancy rate is 11 percent." Best said Equity Office "did an excellent job of maintaining Trinity Place and it really only needs some cosmetic updates." He said the only thing keeping the building from being considered a "triple A" office building is its lack of parking. However, Broe owns a 900-car parking garage a half block east of Trinity, which will serve Trinity and 1700 Broadway. Best said the building is ideal for tenants seeking 1,000 to 12,000 square feet of space. Equity Office, the largest office landlord downtown, is selling some of its noncore buildings, although it is expected to keep buildings such as Tabor Center, considered one of the best buildings downtown. Broe Real Estate, the real estate division of the Broe Group of Cos., has purchased more than \$200 million of office and medical office buildings this year. It has invested in buildings in Denver, Chicago, New Orleans, Dallas, Houston and Richmond, Va. In addition to real estate, Broe Group owns OmniTRAX, the largest private rail company in North America; Century Coal, a coal mining operation in western Kentucky; Great Western Oil and Gas, a production and exploration company; and Strategic Capital, which includes McKinley Medical, a drug infusion system company. **(Rocky Mountain News)**

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New Metro Malls Set to Open Doors

Roughly 2.5 million square feet of new retail space is expected to open in the metro area before 2006 comes to an end. A big chunk will hit the market this month as major shopping centers in Aurora, Boulder and Denver host grand openings and a fourth project in Westminster opens its first two anchors. But retail experts are quick to dismiss concerns about overbuilding, noting that the projects are being constructed in areas of rapid population growth or are replacing existing retail projects. "While it sounds like a large amount of space, each one of these projects is well-thought-out and positioned to succeed," said Mary Beth Jenkins, a Denver retail broker and consultant. "(Their) designs incorporate outdoor, Main Street environments, which is really the next generation of mall development." J.C. Penney and SuperTarget are the first two anchors in the 1.2 million-square-foot Orchard Town Center at 144th Avenue and Interstate 25 in Westminster. About 45 businesses will debut at the Central Neighborhood at Twenty Ninth Street in Boulder. They represent about 85 percent of the merchants in the 300,000-square-foot mixed-use development. Fifty retailers are expected to open at the four-block Main Street at Southlands, the centerpiece of the 1.7 million-square-foot Southlands development at E-470 and Smoky Hill Road in Aurora. Another 20 will open in the weeks leading up to the holidays. Fifty tenants also will open in Northfield at Stapleton's Main Street, with another 25 to follow at a later date. The developments will provide a welcome tax boost to metro-area municipalities and, in Boulder's case, are expected to keep shoppers from spending their money in neighboring communities. A report issued this year by Trammell Crow Co. showed that of the 2.5 million square feet of retail development expected to open this year, just

290,000 square feet came online in the first half of the year. That pace of construction roughly tracks with the previous year, when 3 million square feet of new retail space was reported. Separate data from the International Council of Shopping Centers showed that Colorado as a whole had 26.95 square feet of retail space per person. That was more than 31 percent higher than the national per-capita average of 20.53 square feet of retail space. Trammell Crow principal Pat McHenry acknowledged that this year's October openings amount to a significant amount of space but said each center has strong points that help set it apart. For example, Northfield serves a rapidly growing market driven by the redevelopment of the former Stapleton International Airport. More than 2,300 homes have been built on the site of the former airport, adding 6,100 new residents to the area near Northfield. The shopping center is expected to generate \$10 million a year in taxes when it is completed, including sales, property and business-license taxes. Until now, the northeast metro area has been underretailed, McHenry said. "There has been a void in the northeast Denver market," agreed Kem Blue, regional vice president of Forest City, which is developing Northfield and the Orchard Town Center. "We're seeing demand for more retail, dining and entertainment options in the area. We're in the right spot at the right time." The Twenty Ninth Street development in Boulder is expected to tap existing demand, largely because it is replacing the city's only indoor shopping mall. Now a mixed-use project, the mall will eventually host the headquarters of natural grocer Wild Oats Markets and other offices. Westcor, the project's developer, has had to perform a delicate balancing act to ensure that the project can stand apart from nearby Pearl Street Mall and FlatIron Crossing in Broomfield. Westcor is a subsidiary of the Macerich Co., which owns FlatIron Crossing. The company has made an effort to seek out retailers, including pet-gear retailer Muttropolis and catalog retailer Territory Ahead, both new to the market. The city of Boulder is expecting to collect sales taxes totaling \$2 million at Twenty Ninth Street this year. That amount is expected to jump to \$3.5 million in 2007 and \$4.4 million in 2008. Gerard Cote, director of communications for Downtown Boulder Inc., said new retail at Twenty Ninth Street isn't expected to diminish business for other retailers within the city. A Home Depot that has already opened at Twenty Ninth is a case in point, Cote said. "We're kind of using what's gone on with Home Depot as a bellwether," he said. "Instead of cannibalizing sales from local stores like McGuckin (Hardware), it's cannibalizing sales from the Home Depots in Superior and Louisville." Twenty Ninth Street and the Pearl Street Mall have cooperated on an advertisement that is airing on Frontier Airlines' Wild Blue Yonder network, and other co-marketing efforts are planned, said Lain Adams, senior property manager for Twenty Ninth Street. Like Northfield, Southlands is being developed in an area that has seen rapid housing growth in recent years, Jenkins said. Aurora added more than 12,000 new housing units between 2000 and 2005, according to data from the Denver Regional Council of Governments. Much of that growth was concentrated along E-470 near Southlands. Aurora collects about \$4 million in sales tax from retailers in Southlands' earlier phases. At full buildout, the project is expected to generate \$5 million to \$6 million a year. "In each instance, the retail is following the rooftops, which follows the rules of retail," she said.

(Denver Post)

Office Market Nearing Record

Downtown Denver's office market could hit a million square feet of new leasing activity this year for the first time, according to a report released Wednesday. "We're going to be really close to a million square feet," which would top a record set 21 years ago, said Brandon Twine, vice president of strategic services for the Frederick Ross Co. The only time downtown approached a million square feet of what is known as absorption was in 1985, when the central business district absorbed 968,000 square feet, according to Ross. The third-quarter Ross report, as well as one from CB Richard Ellis, showed an improving office market in downtown and the entire metro area by just about every measure, such as lower vacancies and higher lease rates. "Downtown Denver is hot right now," said Tami Door, president and CEO of the Downtown Denver Partnership. "What is happening today is going to set the stage for our growth for decades to come. We can really capture a lot of small and midsized companies as they grow, which is key for the economic growth and recovery of downtown and the entire region." The CB report, for example, shows the overall vacancy rate at 14.2 percent, a five-year low, and downtown's vacancy rate at 10.6 percent. "This is probably the fastest recovery we've ever seen from a down cycle," said Tom Lee, a senior managing director and veteran broker at Ross. Absorption, considered one of the best signs of the health of a real estate market, measures the change in leasing during a specific time. For example, if a company was leasing 100 square feet and it moved into 150 square feet, it "absorbed" 50 square feet. If it downsized into 50 square feet, it showed "negative absorption," of 50 square feet. The Ross report shows that downtown absorbed 369,269 square feet in the third quarter, 36 percent more than the 287,000 absorbed in all of 2005. Barry Dorfman, who heads the Staubach Co.'s Denver office and who hosted a business breakfast on Wednesday with company founder Roger Staubach, said he's not sure the new owners of downtown buildings who paid record high prices can command the lofty rents needed to justify the purchase price. Dorfman, who represents tenants, said buildings with big blocks of empty space still need to cut attractive lease deals. Downtown, however, is a much tighter market than the southeast corridor, he said. **(Rocky Mountain News)**

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Downtown Denver Building Sells

United Western Bancorp Inc. said Wednesday it has completed the sale of its high-rise headquarters for \$27.25 million. The sale was done through the Denver company's subsidiary, Matrix Tower Holdings LLC. Now known as United Western Financial Center, the building previously was called Matrix Financial Center. The building is at 700 17th St. in downtown Denver and was built in 1961. United Western (NASDAQ: UWBK) changed its name last month from Matrix Bancorp Inc. The name of the company's principal operating subsidiary also changed, to United Western Bank from Matrix Capital Bank. United Western didn't disclose the buyer of the building. The company said that in connection with the sale, United Western will lease back about 62,487 square feet of office space in the building for 10 years. United Western also will guarantee third-party lease obligations by its former subsidiaries on about 23,171 square feet for 10 years. The company said the sale-

leaseback transaction will give it a pre-tax gain of about \$1.1 million annually.
(Denver Business Journal)

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Commercial Real Estate Has Strong Q3

Commercial real estate in the Denver metro area continues on a steady uphill climb, according to a third-quarter market report released Friday by CB Richard Ellis. Office, industrial and retail activity all showed signs of improvement. "All three sectors point to nice, steady growth," said Ethan Reed, CB Richard Ellis marketing and research manager. The metro area's industrial market is particularly robust with vacancy rates dropping to 7.3 percent, the fifth consecutive quarter of positive absorption. More than 4 million square feet of industrial space was leased last quarter. Within the office market, vacancy rates are down overall to 14.2 percent, compared with 14.8 percent last quarter. Lease rates have increased from an average of \$17.33 per square foot last quarter to \$17.74 per square foot this quarter. Almost 485,000 square feet of office space was absorbed during the third quarter, driven in large part by small business, CB Richard Ellis reported. The highest leasing rates continue to be in downtown Denver, averaging \$21.09 per square foot. Cherry Creek follows close behind with an average lease rate of \$20.26 per square foot. The retail market is continuing to grow with several large projects under construction or near completion including the Southlands in Aurora, the redevelopment of Southglenn Mall in Centennial, the Orchards in Westminster and Northfield at Stapleton. "With strong economic and demographic fundamentals, the Denver retail market will continue to see unprecedented growth in the foreseeable future," Richard Calhoun, CB Richard Ellis senior managing director, said in a press release. **(Denver Business Journal)**

	CURRENT	1 MONTH PRIOR	1 YEAR PRIOR
FED FUNDS RATE	5.25	5.25	3.75
3 MONTH LIBOR	5.37	5.39	4.11
PRIME RATE	8.25	8.25	6.75
10 YEAR TREASURY	4.57	4.74	4.37
30 YEAR TREASURY	4.72	4.88	4.60