

December 11, 2006

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

CU Economist Forecasts Slower Growth in 2007

Colorado's economic growth will outpace the nation's in 2007, but the state's growth rate will be slower than it was this year, according to a forecast released Monday by Richard Wobbekind, an economist at the University of Colorado at Boulder. "We think Colorado will have a much more solid economy than the nation and that will feed migration to the state," Wobbekind said in a statement released prior to his presentation at Monday's 42nd annual Business Economic Outlook Forum in Denver, hosted by CU-Boulder's Leeds School of Business and Compass Bank. Colorado will add 42,300 jobs in 2007, an employment growth rate of 1.9 percent, Wobbekind said in his forecast. The national employment growth rate will be 1.4 percent, he said. Total state employment will be 2.32 million in 2007. But Colorado's population will grow at a stronger pace, with net migration of 54,000 people in 2007, Wobbekind forecast. That will help lift the state's unemployment rate to 4.8 percent, compared with a national rate of 5 percent. "Our growth in population will increase to 2 percent, and migration in 2007 will be the strongest it's been in the last five or six years," Wobbekind said. "If this projection holds up, we will be one of the fastest-growing states in the nation next year, certainly in the top 10 and probably in the top five among population growth in the country." Coloradans' per capita personal income is expected to rise to \$40,749 in 2007, above the national average of \$37,345. The professional and business services sector will lead job growth in Colorado, adding 13,900 jobs in 2007, Wobbekind said. Over the past five years, job growth in this sector -- which includes high-paying jobs in the legal, engineering, architectural, veterinarian, computer systems design and research-and-development areas -- has helped offset the loss of well-paying manufacturing and information sector jobs. Colorado's energy sector is also expected to continue strong in 2007, and the declining value of the U.S. dollar should help the state's tourism industry and manufacturing exports, Wobbekind said. For the seventh consecutive year, Colorado's manufacturing sector is expected to lose jobs, rounding out 2007 with 100 fewer jobs than in 2006. High fuel and fertilizer costs and rising feed costs for livestock producers will cause Colorado's net farm income to slip to \$700 million in 2007, the lowest level since 2002, he said. Construction is expected to remain positive, but to grow at a slower rate than in 2006, with a total of 3,000 net new jobs compared with the 7,000 new jobs added this year. The total number of residential construction permits issued in Colorado will increase 4 percent to 42,400, largely on the strength of multifamily units, Wobbekind forecast. Single-family housing permits were expected to decline about 1 percent to 32,600. **(Denver Business Journal)**

...

Qwest Sells Downtown Building

Qwest Communications International Inc. on Monday sold a downtown Denver office building for \$108 million. The Denver Service Center building, at 1005 17th St., was sold to Miller Global Properties LLC of Denver. Qwest (NYSE: Q) of Denver put the 23-story building on the market in June. Construction was started in 1976 on the 700,000-square-foot building and was completed two years later. The building

originally was home to Mountain Bell, the predecessor phone company to U S West Inc., which was purchased by Qwest in 2000. Qwest maintains its headquarters at 1801 California St. in downtown Denver. Miller Global Properties is a 10-year-old partnership between Miller Properties Group and Global Holdings Inc. **(Denver Business Journal)**

...

Hotel Teatro Changes Hands

Downtown Denver's Hotel Teatro has sold. DiNapoli Capital Partners of Los Angeles has purchased the 111-room boutique hotel for undisclosed terms. The Hotel Teatro sits at the corner of Arapahoe and 14th streets, across from the Denver Performing Arts Complex. The hotel's previous owners, Michael Brenneman and Jeff Selby, are trying to build a 50-story, Four Seasons condominium and hotel project across 14th Street from the Hotel Teatro. Local hotel experts have speculated the partners might sell their existing hotel to raise capital to build their Four Seasons project, estimated to cost \$350 million. Denver hotel consultant Steve Hennis at Hospitium LLC said in October the Hotel Teatro was under contract to sell, and the deal was in the due-diligence phase. Hotel Teatro spokeswoman Maureen Poschman told the Denver Business Journal the same month that the property had been for sale, but was off the market because it was refinanced instead. DiNapoli Capital is a privately held real estate investment firm that buys, develops and manages hotels and other commercial real estate. It owns hotels operated by the Four Seasons, Fairmont and Marriott hotel companies. The company's hotel portfolio includes New York City's Carlyle Hotel, The Mansion on Turtle Creek in Dallas and the Ritz-Carlton in St. Louis, according to its Web site. DiNapoli also has investments in Fairmont hotels in Dallas, Kansas City, New Orleans as well as San Jose and Santa Monica, Calif., plus Four Seasons hotels in San Francisco, Houston and Austin, Texas. The investor has four San Jose office buildings. When Denver's Four Seasons hotel/condo project was announced in 2004, it was scheduled to open in 2007. Construction on the property has not yet begun. **(Denver Business Journal)**

...

LoDo Board Backs Zoning Change for Tall Buildings

The Lower Downtown Design Review Board on Thursday recommended the approval of a zoning change that would allow buildings up to 400 feet tall - the equivalent of slightly more than 30 stories - along the edge of Larimer Square and lower downtown. This is a victory for developer Richard "Buzz" Geller, who for more than a year has been battling to build a \$75 million, 31-story luxury condo project on Bell Park, a triangular slice of land at Speer Boulevard, Market Street and Larimer Street. He acquired the site in a controversial land swap with Mayor John Hickenlooper's administration for land the city needed to build the \$378 million Justice Center. "This is a great day for us," Geller said. "What it means is that . . . we had been pushing the ball up the hill, but now we're pushing the ball down the hill." The proposal - which had the blessings of Historic Denver and most neighborhood groups but faced stiff opposition from about 100 people, mostly from the Larimer Place high-rise condo building - still must be approved by the Landmark Commission and City

Council. The council is expected to rule on it in February. Geller said that the new zoning is for what is known as the Historic Urban Edge District, an area basically along Speer Boulevard between Larimer and Wewatta streets. "Really, it's a big pie, and my building is a small piece of it," Geller said. Denver architect David Owen Tryba is designing Geller's building. Kathleen Brooker, president of Historic Denver, applauded the board's decision. "They've been through this yearlong process that has been very inclusive," Brooker said. "A lot of work went into creating the new guidelines." But Tom Young, a longtime downtown resident who lives in Larimer Place, opposes the plan. "A 400-foot tower next to historic Larimer Square is the new Darth Vader of downtown, the fourth ugly sister," Young said. "A 400-foot glass tower does not fit the lower downtown historic district, no matter how many flowery terms you use." But Geller said opponents are misguided. "They asked me about the economic impact, because they think they will lose their views," Geller said. "Their units sell in the range of \$250 to \$275 per square foot. I can't build my building for less than \$575 per square foot, and obviously I'm going to charge more than that, because I'm not going to build something to lose money. Having my building as a neighbor can only raise their values." **(Rocky Mountain News)**

...

New CU Business School Building Named for Koelbels

The new business school building for the University of Colorado will be named Koelbel Hall, after one of Denver's most prominent development families. The family is contributing \$4 million to the new building and renovation of an existing building, a \$38 million project. It is one of the biggest donations ever for the business school, school officials said. The Koelbel family has developed such projects as the Pinehurst Country Club, the 600-acre Preserve in Greenwood Village and the Breakers luxury apartment community in southeast Denver. The family is developing the 450-acre Rendezvous resort community in Grand County and KEEP, a 1,100-acre parcel with only 64 home sites. It is the only portion of the late Tweet Kimball's historic Cherokee Ranch in Douglas County where development is being allowed. "I think the president said it best. Today it is hard to know who your heroes are," said Byron Koste, head of the real estate program at the CU Leeds School of Business. "But we know that the Koelbel family has been heroes for the university for 60 years." On Thursday Koste also learned that the atrium in the new 65,000- square-foot addition to the existing building will be named after him. Koste joined the CU Real Estate Center as its first director in September 1996. Both Walt Koelbel, the founder of the company, and his son, Buz, who runs the company on a day-to-day basis, are CU grads. "Education is critical to the future of this country, and the University of Colorado is critical to this state," said Buz Koelbel. "Having a first-class facility for the business school is important to the university, and that is why we are making this significant gift." **(Rocky Mountain News)**

...

100,000-SF Office Campus Trades Hands

Golden Ridge I and II, a pair of single-story office buildings here totaling 100,800 sf, have changed hands for \$11.35 million. The new owner is Crown West Realty of

Spokane, WA. Located at 500-560 Golden Ridge Rd., the buildings were constructed in 2000 and 2001; their combined occupancy is 84%. Noteworthy tenants include Rockwell Automation, Health Grades Inc., and TechLaw Inc. The vacancy rate and in-place rental rate (approximately \$11.50 per sf/NNN) are comparable to the average for the submarket as a whole. Crown West Realty president Rob Gragg tells GlobeSt.com that the buildings are the company's second acquisition in the Denver area and that he expects to close several additional deals in 2007. The previous acquisition was Corporate 25, a fully leased three-building, three- and four-story office campus within Denver Tech Center. "We're investing there because it's a recovering market," says Gragg, on his cell phone in the Denver airport. "We are negotiating several other [Colorado] deals; we have one under contract and are in best-and-final on others." During escrow for the Golden Ridge Road property, Crown West was able to expand one tenant and renew another, eliminating any potential for lease expirations in 2006 and 2007. When the expansion deal takes effect in a few months, the cap rate on the Golden Ridge Road transaction will be in the vicinity of 8%, Gragg says. Formed in 1996, Crown West Realty is the privately-owned real estate investment, development and management subsidiary of Petrus Partners Ltd., a New York investment firm. It owns and manages approximately seven million sf of leased office and industrial properties along with 600 acres of undeveloped industrial land. **(Globest.com)**

...

	CURRENT	1 MONTH PRIOR	1 YEAR PRIOR
FED FUNDS RATE	5.25	5.25	4.00
3 MONTH LIBOR	5.36	5.37	4.48
PRIME RATE	8.25	8.25	7.00
10 YEAR TREASURY	4.55	4.71	4.48
30 YEAR TREASURY	4.66	4.79	4.69