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### **General Growth Expands Park Meadows**

General Growth Properties has unveiled plans for a 154,000-sf expansion of the Chicago-based mall owner's Park Meadows shopping center that will create an open-air shopping and dining area. The project will blend the existing indoor retail venue with an outdoor park and a common area street where the REIT will add new stores and four new full-service restaurants to the current roster of 160 specialty retailers. The new open-air portion of the property will redevelop a former Lord & Taylor building into an expansion that is scheduled to be completed in the spring of 2008, according to Pam Schenck, senior general manager of Park Meadows. When the May Department Store Co. closed the Lord & Taylor stores in Colorado, Schenck says, General Growth decided to transform the area into a space that would reflect the changing tastes of shoppers. The open-air plaza will be designed to highlight Colorado's outdoors, featuring landscape, sculpture, gathering places and water features, including a two-level fountain that nearly spans the entire length of the area. Besides General Growth Properties, the design team for the expansion includes Omni Plan, MESA Design Group and Redmond Schwartz Design. General Growth is negotiating with new retailers, larger stores, restaurants and boutique concepts at Park Meadows, with new tenant announcements "in the process of being finalized," the company says. The redevelopment at Park Meadows is a joint venture of General Growth with the New York State Teachers' Retirement System and institutional investors advised by JPMorgan Asset Management. **(Globest.com)**

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### **Madden Takes LEED in Southeast Market**

A landmark tower with a grand lobby and panoramic views of the Front Range will be built in the southeast Denver market. Palazzo Verdi, named for its "green" building design, will be the first high-end office building to be delivered to the southeast market since Hines completed 4600 S. Syracuse in 1999. Designed by Fentress Bradburn Architects, the 285,000-square-foot Class AA building will be built atop five levels of parking, so even tenants on the first floor will be ensured "spectacular" views, said Colliers Bennett & Kahnweiler broker Bob Whittelsey. "We sit above everything to the west, so you have views all the way from Pikes Peak to Longs Peak," said Whittelsey, who is marketing the 15-story building for developer John Madden Co. **(Colorado Real Estate Journal)**

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### **Plans in Place for Office/Flex Park Along C-470 in Jeffco**

A local developer has put in motion plans for a new office/flex park on C-470 in South Jefferson County. Arvada-based Ojala & Co. expects to build approximately 11 20,000- to 35,000-square-foot office/flex buildings on 27 acres it recently purchased on the east side of C-470 at Bowles Avenue. The property is among very few sites remaining in the Denver metropolitan area for development of

office/industrial product with highway frontage, said Fred Baker, Ojala & Co. marketing director. **(Colorado Real Estate Journal)**

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### **Development Largest Ever for Sheridan**

Ground has been broken on a \$225 million redevelopment in Sheridan, the biggest economic-development venture in the city's 116-year history. Miller Weingarten Realty, based in nearby Englewood, began work Friday on the 750,000-square-foot retail and entertainment development called River Point at Sheridan. River Point, a public-private partnership, is on 135 acres at South Santa Fe Drive between West Hampden Avenue/U.S. 285 and West Oxford Avenue. The land is bordered by the South Platte River and the Englewood Municipal Golf Course and is across the street from two light-rail stations along Santa Fe. When completed, the development is expected to create 1,000 jobs and provide \$9 million in annual tax revenue to Sheridan. There has never been a development this large in Sheridan, said Ray Sample, who has served as the city's redevelopment agency director for about a year and was its police chief for the past 10 years. The city, founded in 1860, has only about 3 square miles of land and 5,600 residents. Yet about 130,000 cars, evenly divided between Santa Fe and Hampden, pass Sheridan every day. "This is huge for us. We've never had anything of this magnitude before. Most people are struggling to even know where Sheridan is," Sample said Monday. He noted that Sheridan doesn't even have its own ZIP code. The city shares ZIP codes with Englewood and Denver. Sheridan used its powers of eminent domain to condemn about 60 acres of the land for River Point, Sample said. Some residents welcomed redeveloping an eyesore, while some property owners were upset that they weren't able to develop their land themselves, he said. The city decided it had to get the property under one ownership to deal with environmental problems from landfills that closed in 1977 at the site, as well as the development. It chose Miller Weingarten, which has developed about 20 retail and mixed-use communities in Colorado, including the nearby Englewood City Center and the town center at Lowry. Almost 500,000 square feet of the 750,000-square-foot development at River Point is already spoken for, said John S. Loss, executive vice president of Miller Weingarten. Among tenants the company is working with are Target, Costco, J.C. Penney, Regal Cinema and Circuit City. "This will be a regional draw," said Gregory Moran, vice president of new development and anchor leasing at Miller Weingarten. He expects shoppers to come from Sheridan, Englewood, Littleton, Highlands Ranch, mountain communities from U.S. 285 and even Cherry Hills. Most shoppers will likely drive rather than take light rail, Loss said. River Point will also be served by two bike paths, one along the South Platte River and the other along Bear Creek, said Bob Beery, director of design and entitlement for Miller Weingarten. The company will also be improving the banks along South Platte to make the riverfront more accessible to pedestrians, Beery said. **(Rocky Mountain News)**

## Shoppers Flock to Area Outlets

At Aspen Grove in Littleton, shoppers have been snapping up almost everything this month. "Everybody is up, anywhere from 3 percent to 25 percent," said Jill Kobe, the open-air center's general manager. With Hanukkah beginning at sundown Friday and two shopping weekends left before Christmas, other area malls are reporting similar results. Consumer electronics, especially Apple's red iPod nanos, are flying off the shelves, Kobe said. Clothing comes in a pretty close second, as shoppers buy for loved ones and also stock their own closets. At Cherry Creek Shopping Center, electronics and apparel are also strong, as are luxury items like jewelry, said General Manager Nick LeMasters. "Generally speaking, we're enjoying a strong economy," he said. "By and large, people are secure in their own financial situations - they look at their portfolio, the stock market has done well, and we see a correlation between the performance of the market and sales here." Centers also are seeing strong sales of gift cards - at Aspen Grove they're up 30 percent over last year, Kobe said. Sales of Visa-branded gift cards at FlatIron Crossing in Broomfield had slowed a bit but picked up two weeks ago and have been strong since, General Manager Hugh Crawford said. "Companies are really starting to use them as an employee incentive and reward, so we're seeing a lot of corporate sales - it's a good universal gift bosses can give," he said. All three mall managers report busy weekends this month and say they expect the biggest sales are yet to come. Because Christmas falls on a Monday this year, most experts expect registers to ring loudest Saturday, Dec. 23. Macerich Cos., which owns and operates FlatIron Crossing as well as Twenty Ninth Street in Boulder, recently issued its latest weekly "MAC Holiday Index." The index is a weekly look at traffic and sales trends at 12 of its centers. Leading the pack this season is the gift category, including digital photo frames, pen sets and money clips, the index says. The category is up 11 percent over the third week of the season last year. Jewelry has been slowing - sales were down 5 percent compared with the same week last year, while apparel is up 6 percent, largely on sales of women's cashmere sweaters, novelty denim apparel and handbags, the report says. At Cherry Creek, clothing sales are rising at both upscale and midpriced retailers, LeMasters said, as shoppers buy for themselves and others. "Right after Thanksgiving, a lot of customers were buying for themselves - now the trend has shifted more toward gift giving," he said. At FlatIron Crossing, higher sales of both apparel and upper-end jewelry mean consumers are both picking out stuff for themselves and shopping for others earlier than usual, Crawford said. About half of the center's 10 jewelers reported double-digit sales increases this season, he said. "People are coming in, they're having fun, and they're buying earlier than they have in the past," he said. **(Rocky Mountain News)**

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## Feds Back Off from CRE Lending 'Triggers'

New federal guidelines on prudent concentrations of real estate loans represent a compromise with commercial real estate industry representatives who were concerned the new rule would expose lenders to unwarranted restrictions by bank examiners and analysts. Earlier this month, The Office of the Comptroller of the Currency (OCC), the board of governors of the Federal Reserve System and the Federal Deposit Insurance Corp. (FDIC) issued the final Interagency Guidance on Concentrations in Commercial Real Estate Lending, Sound Risk Management

Practices. The rule reinforces risk management procedures already in place for federal banks and provides supervisory criteria to assist in identifying institutions with potentially significant commercial real estate loan concentrations. As originally proposed, regulations would have set thresholds calling for enhanced risk management programs and greater capital requirements when a bank's concentration of construction lending grew larger than 100% of the banks' total assets, or when all commercial real estate loans exceeded 300% of its capital. While the proposed thresholds were intended to alert banks to the need for rigorous risk management programs to monitor high loan concentrations, lenders and real estate industry representatives told agency representatives that the 100% and 300% thresholds could have been treated as lending caps by analysts and bank examiners. The adopted rule retains the 100% and 300% criteria, but unlike earlier incarnations, doesn't treat those thresholds as de facto evidence that enhanced risk management is required. As written, concentrations in excess of those amounts may merit further scrutiny, which may or may not reveal a need for enhanced risk management programs and capital reserves. Several agencies, including the Office of the Comptroller of the Currency (OCC), had proffered the rule change in January in response to a rapid increase in real estate lending: Commercial loans made in 2005 totaled \$1.3 trillion, up 16% from the previous year, according to the OCC. Federal regulators feared a repeat of the widespread commercial real estate failures that contributed to bank and savings-and-loan failures two decades ago. Opponents of the previously proposed regulations say the broad-brush approach was too simplistic for a market sector that employs a spectrum of diversification strategies by geography, product type and other factors. **(National Real Estate Investor/Matt Hudgins)**

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### **Sturm Will Renovate Site of Former Tattered Cover**

Banker Don Sturm plans to spend nearly \$10 million renovating the former Tattered Cover building and an adjacent Cherry Creek office building. Sturm plans to remove the existing exterior brick walls on both buildings and replace them with glass-curtain walls. He plans to renovate the buildings to a standard that would enable the core and shell to be LEED (a green building rating system) certified. Gensler Denver designed the buildings. "We're really rebuilding for the next 50 years," Sturm said. "We want it to be an investment that is long term." Sturm still envisions retailers in the 48,000-square-foot building at One Fillmore Place formerly occupied by the Tattered Cover, despite the challenges of leasing a four-story building to multiple tenants. "It makes it more difficult to lease, but if you find the right destination user, they can succeed," said Pat McHenry, a retail broker with Trammell Crow Co. "In this kind of location, people will go beyond their prototype to make it work." She cited Bed, Bath & Beyond in Cherry Creek as a retailer that typically locates on one level but made an exception because of the desirable location. Destination retail could include a salon, spa or health club, said Dan Foy of Chicago-based The Foy Bradford Co., who is marketing the retail property for Sturm. Foy said he has letters of intent from several prospective tenants. He declined to name them. The asking lease rate for the top level of One Fillmore Place is \$25 per square foot. The rates get progressively higher on the lower floors. Renovating the 90,000 - square-foot office

building at 158 Fillmore will begin after Janus Capital Group moves out March 31. KSL Capital Partners has agreed to lease the top floor of the six-story building, and engineering firm Malcolm Pirnie will lease the second floor, said Peter Staab, senior director of Frederick Ross Co., who is marketing the building. Asking lease rates for that building are about \$30 per square foot. **(Denver Post)**

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## 2007 Forecast

Unless they are in marketing, it's hard to make optimists of business executives because they are always looking 'round the bend for the next kink in their plans. Yet participants in a 2006 roundtable of winners of the ColoradoBiz Top Company award had little bad to say about business prospects for the state in 2007. The roundtable, in fact, was the most upbeat discussion of economic conditions in Colorado in the four years it has been held in San Francisco as part of a prize-winning trip for the winners of the magazine's tough, annual Top Company competition. Back in 2003, business executives who took part were mildly confident that the state was on the mend from the terrorist attacks and the national recession of 2001. This year's roundtable, after two years of strong growth for the winning companies — much of it on an international stage and including the explosive growth of shoe-retailer Crocs — produced a lively enthusiasm for the business climate back home and around the world, an enthusiasm affirmed to varying degrees by two economists' views. William Greiner, executive vice president and chief investment officer for Kansas City, Mo.-based UMB Financial Corp., which has significant banking operations in Colorado and which hosted the Colorado Top Company San Francisco trip, told the roundtable at its onset that UMB's outlook for the year suggested below-trend, but reasonable growth in national gross domestic product, from 2 percent to 2.5 percent for the year in 2007. Michael Orlando, the lead officer of the Denver Branch of the Federal Reserve Bank of Kansas City, upped that estimate for GDP growth to between 2.5 percent and 3 percent, which probably will make 2007 growth about equal to national economic growth in 2006 by year's end. Orlando said Colorado probably faces less economic risk than most other states from the two most worrisome pressures on the national economy — falling home prices and rising energy costs. He attributes that to slower home-price appreciation along the Front Range than in other parts of the country since 2002, and the fact that Colorado's oil-and-gas industry adds jobs as energy prices rise, providing a "hedge" against the cost crunch that is put on businesses and consumers here and elsewhere from rising fuel prices. Neither economist seemed overly concerned, however, about the possibility of a national recession, although Greiner didn't rule it out. Tucker Hart Adams, probably the most quoted Denver-area economist, has predicted a relatively high likelihood for Colorado to slip into what will be a national recession in the second half of 2007. Yet roundtable participants spoke about their own business outlooks in decidedly more optimistic tones. "Business is very good for us on the corporate side," said Debbie Messmore, vice president of strategic sales for Polk Majestic Travel, a 2006 Top Company winner. "When Colorado businesses do well, more of their people get on airplanes than if their businesses are not doing well." Messmore said Polk Majestic, a merger

of two travel companies, was born out of the recession and the shutdown of travel following the Sept. 11, 2001 terrorist attacks, and has grown continuously as business has picked up in Denver and across Colorado since then. Real concerns Kate Paul, CEO of Delta Dental Plan of Colorado, the largest dental-care provider in the state and also a Top Company winner this year, reminded the group that Colorado business usually trails national trends by anywhere from 12 to 18 months, so that if a recession were to start in 2007 nationally, the state might not feel its drag until well into 2008. Paul serves on the board of the Denver Metro Chamber of Commerce, and is a former member of a local board that advises Orlando's Denver Branch of the Kansas City Fed. She said, despite some moderation of home prices and of home-price increases around the state, and a serious spate of foreclosures, the metro area's commercial real-estate market is thriving. "Vacancy rates, particularly in the downtown area, are declining," she said. "They are much better in the Southeast (metro area); not as good in the Northwest. They're better than they were (in the Northwest), but they are still not great. A lot of sublet space has been filled in. Lease rates are strong. Industrial has been steady throughout the period. Investment potential has been quite good, particularly in the retail sector in Colorado." Fed economist Michael Orlando said nationally "two factors, housing and energy, are really the main risk factors going forward." He added, "For the Rocky Mountain region, I think we're a little bit fortunate on both of these margins. "By local standards, in the late 1990s through 2001, we had double-digit (home) price increases," he said. "In 2002, I believe Front Range price increases were about 5 percent, and they've been below 5 percent since then. That's given us a lot of time to take the pressure out that market. "You compare that to a place like Southern California, or parts of Arizona that have seen double-digit price increases right up until recent months when the housing industry slowed down, and I would feel a lot more concerned in those cities, in those locations, than I am here. "On that second risk factor, energy, I think we're also positioned a little bit better than at the national level. We have an extraction industry here, not just the demand side of energy. That provides a natural hedge for the region. "The single best predictor of housing demand is job growth," Orlando said. "If you look at the prospects for job growth along the Front Range and in the Rocky Mountains in general, by national standards they're really very good." Crocs Inc., a Top Company winner in 2006, four years after its founding, is one of the contributors to that "very good" jobs outlook. Peter Case, CFO of Crocs, told the business roundtable it's difficult to predict where the \$109 million Crocs will be financially in 2007. It has grown from a startup in 2002 to 2,200 employees in late 2006, yet Case still described the company as in a "breakout period" that he expects to continue through 2007. Its rubbery shoe/sandals, he said, "are a redefining product more than anything." And as Case sat in a hotel conference room in San Francisco, he talked of not yet reaching the huge California market. "Next year, we think that this area and Southern California will really take off for us — as well as the Northeast." In terms of job recruitment, Case said Crocs has "taken so much of the available talent pool of employees in and around Denver and the surrounding areas," that it is actively recruiting outside Colorado. "We are doing things globally," Case said. "As much as a third of our sales come from international; we continue to see that growing." Gareth Heyman, CEO of MorEvents, a Top Company finalist, said his event-planning firm is doing an increasingly large segment of its business outside the country, reflecting larger American companies' increasing business overseas. Recent events included taking MasterCard VIPs to the World Cup in Germany and helping a

Fortune 500 company host a board meeting during Carnivale in Rio de Janeiro, Brazil. "Historically, we have done 35 percent of our business on an outside-the-U.S. basis," said Heyman. "We've not completely flipped that, but we'll do more business outside the U.S. in 2006, and 2007 is probably shaking out the same way. It is very global. It's U.S.-based companies primarily, but we are seeing quite a bit of change and bringing the world together." Another Top Company winner, Gates Corp., the historic auto-supply company, directs its continued global expansion from a new headquarters building in Lower Downtown Denver, having moved 600 corporate employees from its longtime South Broadway campus, which is being redeveloped. Meg VanderLaan, vice president of corporate public relations and business development of the Gates worldwide aftermarket, told the business roundtable the company was coming off a record year developing new technologies to serve a mature automotive industry. "We are known as an older company, or a traditional company, and yet we are continuing to come up with new technology that will drive the marketplace in the future," she said. "Especially in the areas of vehicles and energy-saving technologies, emission-saving technology, we continue to drive the marketplace." Jon Nordmark, chairman and CEO of eBags, the Colorado-founded, Web-based luggage retailer that was named a Top Company in 2004, said technology is still driving his company's growth and, like Gates, also moving lots of eBags' business over a worldwide market. Innovation provides the link. "I think innovation has really picked up," Nordmark said. "I think a lot of companies like the Googles are investing like crazy. We're finding innovative ways to move the economy forward. But the new stuff coming out is what they are calling Web 2.0 technologies. We're opening up our systems for normal people to come in and work on our systems. People in other countries. People that are just kind of really strong hobbyists, and do things. Companies like Google and eBay and Amazon are all spreading the work outside of their company's doors." Nordmark referred to new open-system technology that allows visitors to your company's website to post their own material: items for sale, product information, services that might complement your company's product. As he indicated, eBags is also using that technology to take its own products into foreign countries. "It's been expensive," he said, "but it will pay off in the long run. We're selling in the U.K., we're selling in Germany. We just opened in Japan. All of those are losing significant amounts of money right now, but we know, based on what's happened in the U.S., that they'll make money two years from now or three years." Kate Paul, from Delta Dental, when talking about the state's overall economy, noted, too, that she expected to see a lot of business energy coming out of the Western Slope; Mark Williams, vice president of exploration and development for Whiting Petroleum Corp., another 2006 Top Company winner on the trip, said there was plenty of energy already flowing out of the western half of Colorado. "In the Piceance (Basin) area, especially that area between Rifle and Rangely, the most western part of the state, is really on fire. "As anyone who has driven out I-70 in the last three or four years can attest, it's like Christmas out there at night. It's really something. The interesting part about that is what you see there along the I-70 corridor is only a small part of the resource capital that is present in the Piceance Basin." The expansion of business in Colorado over the past two years — what Nordmark, Messmore and Williams were talking about — is tracked no more closely than by Pinnacol Assurance, another 2006 Top Company winner that holds 50 percent of the worker's compensation insurance market in Colorado. Don Collins, Pinnacol's chief marketing officer, told the business roundtable that Pinnacol grew in revenues from

\$300 million to \$560 million over the past four years, and only in mid-2006 was beginning to feel that growth rate slow slightly. Pinnacol's own business volumes, since it issues insurance only to Colorado companies and insures more Colorado companies for worker's comp than any other issuer in the state, provide a good measure of growth in commerce for a state that posted a record \$216 billion in economic activity in 2005. Collins, like a few other roundtable panel members, talked of the devastating impact another terrorist attack on U.S. ground might have on the nation's business, but he also said the country was moving beyond 9/11 and reinsurance rates for companies at the interior of the United States were beginning to reflect a confidence that another attack would be far more likely on either coast than deep inside the country, where Denver is located. "Those costs are still very similar on the East Coast and the West Coast, but for us in Colorado, they are going down, which is wonderful for Colorado," he said. "It's wonderful for all of you in the room who are buying our product," he added, "because we're projecting probably a 7 percent decrease next year for reinsurance rates. "It's those kinds of gains — from savings as well as from increased sales and production —that will fuel Colorado's economic growth deep into 2007, participants in the roundtable seemed to agree. Larry Wolfe, a Wyoming partner of Holland & Hart, the Denver-based large regional law firm that is also a sponsor of the Top Company awards and trip, was confident that the flowering of all kinds of energy development, from alternative energies to construction of electrical transmission lines and fuel pipelines, to the development of oil shale on Colorado's Western Slope, will produce business growth in the West for a long time to come. Bill Greiner, the UMB economist who addressed the roundtable, compared the next year of business in America to surfing a certain wave called the Bonzai Pipeline off Oahu in Hawaii — which Peter Case, from Crocs, said he had surfed. If a surfer "gets too far in front of the wave," Greiner said, "he runs out of steam. If he gets too far back in the curl, he can get crushed in the depth of the water. "It's a very treacherous kind of situation, very dangerous," Greiner added, referring then to the 2007 economy. "But supposedly, if it's ridden correctly, it's a very thrilling ride." **(ColoradoBiz)**

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	<b>CURRENT</b>	<b>1 MONTH PRIOR</b>	<b>1 YEAR PRIOR</b>
<b>FED FUNDS RATE</b>	5.25	5.25	4.25
<b>3 MONTH LIBOR</b>	5.36	5.37	4.50
<b>PRIME RATE</b>	8.25	8.25	7.25
<b>10 YEAR TREASURY</b>	4.60	4.61	4.52
<b>30 YEAR TREASURY</b>	4.72	4.71	4.72