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A Denver Based Commercial Real Estate Investment and Management Company  
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### Developer Buying Hospital Site

Cherokee Denver LLC is under contract to purchase The Children's Hospital site in Denver's Uptown neighborhood. The 14-acre site is bordered by Downing and Emerson streets and 18th and 20th avenues. Children's is leaving its Denver location to move to a new facility at the Fitzsimons campus in October 2007. Cherokee said the proposed project may include rental and for-sale homes, as well as medical offices and hotel, retail and office space. The developer said it will work "hand-in-hand" with neighborhood groups and the city's zoning and planning departments to preserve some of the site's historical buildings. Over the next several months, Cherokee will decide which buildings can be preserved. Cherokee Denver is working with the same team, Ferd Belz and Rick Wells, who developed the former Mercy Hospital site in City Park South into a mixed-income residential community. "This is really the first step in assuring that this property will continue to contribute to the vitality of this urban neighborhood," Dori Biester, president and CEO of Children's, said in a statement. **(Denver Business Journal)**

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### Utes to Buy Belmar Share

Continuum Partners is selling 33 percent of its Belmar mixed-use development in Lakewood to the Southern Ute Indian tribe. The price was not disclosed. Belmar, which serves the role of Lakewood's downtown, has a completed value estimated at \$850 million. Continuum currently has about \$3.5 billion in deals on its plate, including the \$1 billion redevelopment of Denver Union Station with East West Partners. The Ute deal is unusual for Continuum. "We have a history of not having outside equity partners, largely because their 'hold' thresholds have not been consistent with ours," said Continuum founder and CEO Mark Falcone said. "Even the large funds generally look to buy and hold a property for only six to eight years." Continuum typically plans to hold its properties forever. The Ute tribe, which has benefitted from energy holdings, by contrast, wants to hold properties for "multigenerations," Falcone said. "We decided to give this a try, a test drive, so to speak, to see if it would be a good fit for us," he said. Asked if the tribe could invest in the \$1 billion redevelopment of Denver Union Station, Falcone said: "Maybe or maybe not. It's not something we have talked about." The stake at Belmar is going to be purchased by GF Properties Group LLC, based in Durango. GF has investment and development divisions. GF Properties is a subsidiary of the Southern Ute Growth Fund of Ignacio, which according to reports has total assets estimated at \$1.7 billion. Without disclosing the purchase price, Belmar represents the fund's largest single investment to date, said Pat Vaughn, who heads the real estate fund. He said most of the tribe's wealth initially came from developing coal and methane gas on its reservations. The tribe also owns a casino and has ventured into other energy and real estate deals. In the Denver area, the real estate fund has purchased a 49 percent stake in locally based New Town Builders, which builds homes in Belle Creek in Commerce City, Stapleton and in other Denver-area communities. Vaughn said

the Ute tribe and Falcone share a long-term vision. "The way we approach investments is rather atypical than a lot of public companies, in that we can take a little longer view," Vaughn said. **(Rocky Mountain News)**

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### **Boulder Portfolio Goes for \$20.6 Million**

A four-building portfolio in Boulder County sold for \$20.6 million, giving a California investor its second big acquisition in Colorado and the seller a healthy return on its investment. Westfield Industrial Partners II LLLP sold the single-tenant buildings in Boulder Tech Center and Monarch Park to Millbrae Square Co., which recently acquired the Heska headquarters in Loveland. "These buildings are in good shape, and the area there seems to be pretty stable," commented Rem Imbimbo of Millbrae Square, adding the company can get better returns on investments in Colorado versus California. **(Colorado Real Estate Journal)**

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### **Economist Predicts Sluggish Job Growth in 2007**

The Denver area could add about 20,000 new jobs in 2007, about a 23 percent drop from the 26,000 jobs expected this year, economist Patricia Silverstein said Wednesday. "We're not going to be seeing quite the robust growth in 2007 that we're seeing this year," Silverstein, principal of Development Research Partners, said in a roundtable discussion before she and two other experts spoke at an Urban Land Institute forum that drew about 150 people to the Hyatt Regency Denver at Colorado Convention Center. The other speakers were Thomas Wooten, managing director of the Ross Consulting Group, and Anne Ricker, owner of the Denver office of the Leland Consulting Group. Silverstein said she expects Denver-area employment growth to be in the 1.4 percent to 1.6 percent range next year, compared with 1.9 percent this year. Denver will outpace the nation, which is expected to show an employment growth of 1.4 percent this year and 1.1 percent next year, she said. Wooten said his biggest concern next year is the potential of overbuilding condominiums, both downtown and in the suburbs. "On the aggregate, that is too much for the market to bear. Some of them will not be built. That is the good news. It's going to be a bit of a horse race. Those that come out of the ground first and are able to contain their costs will have an edge." Ricker said that despite what many people and municipalities think, not every transit-oriented development, or TOD, along future light-rail lines will be right for retail. She also said that TODs will need to be public-private partnerships, with local governments needing to help fund things such as parking and affordable housing. **(Denver Business Journal)**

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### **Zell: Privatization Wave Is REIT Validation**

Fresh off accepting a \$20 billion offer for his massive office company, REIT pioneer Sam Zell delivered some pointed remarks about the privatization wave yesterday

morning. Aside from criticizing REIT naysayers — from the analysts and journalist camps — Zell stressed that the flurry of privatizations proves that REITs are finally being valued correctly. “I’m going to tell you what the privatization trend is and isn’t,” said Equity Office Properties Chairman Zell, who doesn’t see the wave of privatizations as a sign that the REIT market is overheated. “Because I do not believe that many of the comments made by the savants in the press and the analyst community are accurate about this [privatization] trend.” Zell agreed to speak at the New York University Real Estate Institute’s 39th annual capital markets conference at midtown Manhattan’s Waldorf-Astoria Hotel months ago. Of course, he now finds himself leading the REIT privatization wave into uncharted waters. Last Monday, Equity Office Properties (NYSE: EOP) accepted a multi-billion dollar offer from private equity giant Blackstone Group, which now stands as the largest REIT privatization in history by dollar. Zell refused to discuss the Blackstone deal, which is expected to close early next year, but he did cite several large REIT privatizations as proof that analysts just don’t grasp the true value of these companies. More than \$36 billion in listed office REITs — including the EOP deal — have been privatized over the past two years, and the average premium paid by the buyer was roughly 6.7%, according to Charlottesville, Va.-based SNL Financial. To Zell, who has criticized analysts for years, these premium takeout prices prove his theory that the public markets vastly undervalue real estate. “The fact that these companies have all gone private at such premiums is an extraordinary indictment of the analyst community. And it starts with the ability to ignore realities,” he said. REIT share prices certainly aren’t languishing. In fact, total returns for office REITs are up 45.6% year to date, reports SNL. While some of this share appreciation is likely being driven by takeout anticipation, these companies are also riding an office recovery that’s boosted rents and thinned vacancies over the past 12 months. Boston-based Property & Portfolio Research expects office vacancy to fall by 1.4% over the next four years to hit 11.4% by the end of 2010. PPR analysts expect this slow-burning recovery to bring steady growth to landlords while high construction and materials costs keep a lid on new supply. Zell, for his part, spoke bullishly of 6% and 7% revenue increases for office landlords over the next two years. “The privatization trend is the ultimate validation of what we’ve done as REITs,” said Zell. “But it’s not a signal of a market top. It’s all about a buyer and a seller looking at the same data and drawing different conclusions.” **(National Real Estate Investor/Parke Chapman)**

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### **Industrial's Big Niche**

A whopping 120 million tons of consumer goods poured into the U.S. in 2004, up 140% over the 48 million tons imported a decade earlier. That dramatic import growth is having a profound effect on industrial warehouse/distribution space, leading to bigger and bigger boxes. A decade ago, 300,000 sq. ft. was the definition of a large warehouse — today it's upwards of 1 million sq. ft. The number of warehouses is also growing. At midyear, 57 distribution centers under construction in the U.S. measured 500,000 sq. ft. or more, up from 15 at midyear 2001, according to Grubb & Ellis. Researchers are beginning to treat this new high-volume, high-efficiency real estate as a distinct subcategory of industrial space, according to Bob Bach, national director of market research at Grubb & Ellis. “There clearly is a subset

of the warehouse/distribution category that I would call modern logistics space," he says. Researchers are still setting parameters, but the new product type will be defined by its large size, ceiling heights of 32 ft. or higher, state-of-the-art fire suppression, a high ratio of docks to floor area and other factors. A quick turnaround time also differentiates these facilities from their predecessors: Large truck courts enable drivers to park a full trailer, pick up an empty one and quickly get back on the road. Most large logistics projects are located near seaports, where companies can unload oceanic shipping containers, sort goods and send them via truck or rail to stores or regional distribution centers. Others cluster at major crossroads of highways, rail lines and airports. Capitalizing on the demand for modern logistics space, The Alter Group, a Chicago-based industrial developer, has begun more than 1 million sq. ft. of speculative industrial space divided between Southern California and Indianapolis. The ambitious pipeline is a bet that demand will remain strong for high-volume distribution space for the foreseeable future. The Alter Group's 590,000 sq. ft. Calabash II, under development in California's Inland Empire, will handle imported goods from the Ports of Los Angeles and Long Beach. In Airwest Business Park in Plainfield, Ind., Airwest Indianapolis measures 440,769 sq. ft. The center is within a day's drive of 65% of the U.S. population via four interstate highways and the Indianapolis International Airport. "In the Inland Empire, in particular, demand is torrid and vacancy is 3.8%," Bach says. "That's incredibly low, considering it has by far the most space under construction at 22 million sq. ft." The national vacancy rate for warehouse/distribution space registered 7.9% in the third quarter, down from 8.2% at midyear and slightly higher than the 7.7% vacancy rate for all industrial properties. Bach attributes that slightly elevated vacancy rate to a high construction rate, and says demand continues to keep a heavy supply of new space from spinning out of control. Evidence suggests developers expect distribution centers to remain a hot commodity for some time. Warehouse/distribution properties represent less than half, or 5.1 billion sq. ft., of the 10.5 billion sq. ft. of industrial real estate in North America, according to Grubb & Ellis. Yet warehouse/distribution accounted for a full 70%, or 80 million sq. ft., of the total 115 million sq. ft. of industrial space under construction nationwide in October. "It's clearly a response to demand by large, logistically driven, import-type companies that are putting a lot of focus and attention on their distribution networks," says Patrick Gallagher, senior vice president at The Alter Group. The company is eyeing new development opportunities in Chicago, and would like to add Atlanta and the East Coast to its big-box industrial program in 2007. "We've got major buildings going up in about four cities right now," he says, "and we look to expand even more so in those strategic cities that are tied to national and international logistics networks." **(National Real Estate Investor/Matt Hudgins)**

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### **Retail Sales Merrier at Higher-End Stores**

So far, it's a tale of two Christmases for retailers. Those stores catering to luxury shoppers are faring better than discount stores, signaling that price wars are likely to intensify as the holiday gets closer. Sales at chain stores opened at least a year rose 2.1 percent in November, according to the International Council of Shopping Centers, a slower pace than analysts expected, reflecting Wal-Mart Stores Inc.'s worst monthly performance in a decade. The lackluster results prompted the New York-

based retail trade group to lower its sales forecast for the holiday season to a gain of 2.5 percent to 3 percent, down from a gain of 3 percent predicted at the start of the season. "The fact that these results are weaker than last year is going to make a number of retailers nervous," said Frank Badillo, senior economist at Retail Forward Inc., a Columbus, Ohio-based market research firm. "And they'll step up the promotions going into the last days of the holiday." Wal-Mart posted a same-store sales decline of 0.1 percent in November from the year-ago period, the second month in a row of virtually unchanged sales. The Bentonville, Ark.-based company predicts that same-store sales will continue virtually unchanged for December at flat to a 1 percent gain. Sales at stores open at least a year are a key barometer of a retailer's health. Wal-Mart is trying to recover from a misstep earlier this year into trendy clothing and lifestyle advertising that alienated its core customer. Under Wall Street pressure to jump-start sales, Wal-Mart set the tone early in the holiday season by cutting prices on 100 toys in October, followed by similar cuts on electronics in November. The price cuts rippled through the industry, prompting one of the most promotional Thanksgiving weekends in recent memory. As the world's largest retailer with 6,500 stores and \$312 billion in sales, Wal-Mart's moves are difficult for almost anyone but luxury retailers to escape. Discounters in general fared poorly in November, with the exception of Minneapolis-based Target Corp., which caters to higher-income shoppers. Sales at stores open at least one year at Target rose 5.9 percent. Dollar General Corp. rose 2.2 percent and Family Dollar Stores rose 2.5 percent. Gap Inc. also had a difficult month with same-store sales down 8 percent. Upscale stores fared better. Sales at Saks Inc. rose 7.2 percent, Nordstrom Inc. rose 5.4 percent and Federated Department Stores Inc., owner of Macy's, rose 8.5 percent. Tiffany & Co., the world's largest luxury jeweler, said earlier this week that holiday sales are exceeding expectations; it raised its annual profit forecast based on demand for \$20,000 rings and necklaces. Same-store sales at U.S. luxury retail stores will jump 6 percent in November and December combined from a year ago, the shopping center council said. That's better than the 4 percent gain the trade group predicts for department stores, 2.5 percent for discounters and 1 percent for apparel chains. At Mark Shale, the high-end apparel store owned by Woodridge-based Al Baskin Co., sales have been "very good" in October and November, without markdowns, President Scott Baskin said. "My read is that the better sector is doing OK and the moderate sector isn't," he said. Doing well in November is important to retailers because it gives them a cushion going into the crucial month of December. The industry generates about one-third of its sales and profit during the holiday season. Retailers got off to a strong start on the Friday after Thanksgiving with a 6 percent increase in sales. The gain was driven by deals on big-screen TVs, computers and other popular items. But after the doorbuster deals ended, shopping leveled off, leaving some retailers uncertain about how to keep consumers spending. "November sales weren't that strong and that means there is more likelihood you will see retailers, especially those hurting, stepping up their promotional activity," said Michael Niemira, chief economist at the International Council of Shopping Centers. "We need to see how this weekend goes. If there is some more-than-normal softness, that's when you start to worry." **(Chicago Tribune)**

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### **Apartment Vacancies Decline**

The overall vacancy rate for Colorado apartments outside of the Denver area fell to a five-year low during the third quarter, according to a report released Thursday. The

Colorado Division of Housing, in a report that tracked more than 20 markets from Steamboat Springs to the southeastern part of the state, showed an overall vacancy rate for all apartments of 7.2 percent. That is the lowest vacancy rate since the third quarter of 2001, when the rate stood at 6.2 percent. But the apartment market softened dramatically after the terrorist attacks of Sept. 11, 2001, and the loss of tens of thousands of high-paying jobs during the following economic slump, said Gordon Von Stroh, a professor at the Daniels College of Business at the University of Denver. Von Stroh researched and authored the 74-page report for the housing division. The overall average and median, or middle, rents for all apartments also hit records in the the third quarter, at \$825 and \$788, respectively. "But there have been no big spikes in rents; it's been a gradual increase," said Daniel H. Sung, vice president of government affairs for the Colorado Apartment Association. "This is the best the apartment market has been since 9/11," Von Stroh said. However, he said not all markets are improving at the same rate, and there is still a wide range of vacancies and rental rates throughout the state. For example, Fort Morgan and Sterling, with vacancy rates of 12.2 percent and 9.1 percent, respectively, still are suffering from high vacancy rates because of their dependence on agriculture. Colorado Springs, with an 11.3 percent vacancy rate, ebbs and flows depending on where the military is being deployed, he said. Aspen is at the other extreme, with only a 1 percent vacancy rate. "Basically, there are no apartments available in Aspen," Von Stroh said. "It's impossible to find an apartment in Aspen." Kathi Williams, director for the Colorado Division of Housing, said it is hard to develop affordable housing in ritzy places such as Aspen because the land is so expensive. She said she is concerned that workers at ski resorts are increasingly being priced out of the markets. **(Rocky Mountain News)**

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### **Low Enterprises Investors Buys Office Building**

Low Enterprises Investors has bought a large office building in Inverness Business Park, the company said Thursday. The Denver-based company bought an 85,073-square-foot building at 10303 E. Dry Creek Road for \$13.8 million from Alliance Commercial Partners. The company bought it for Low Enterprises Real Estate Income and Growth Partners, a \$201 million investment fund that targets commercial and multifamily opportunities nationwide. The building is next to a 138,000-square-foot building Low bought in September. Both buildings are four stories high, and both were built in 1997. Low Enterprises also owns the Tuscany Plaza in Greenwood Village and the Vail Cascade Hotel. **(Denver Business Journal)**

	<b>CURRENT</b>	<b>1 MONTH PRIOR</b>	<b>1 YEAR PRIOR</b>
<b>FED FUNDS RATE</b>	5.25	5.25	4.00
<b>3 MONTH LIBOR</b>	5.37	5.37	4.44
<b>PRIME RATE</b>	8.25	8.25	7.00
<b>10 YEAR TREASURY</b>	4.46	4.73	4.50
<b>30 YEAR TREASURY</b>	4.56	4.84	4.70