

January 18, 2010

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December Retail Sales Drop 0.3 Percent

Retail sales fell in December as demand for autos, clothing and appliances all slipped, a disappointing finish to a year in which sales had the largest drop on record. The weakness in consumer demand highlighted the formidable hurdles facing the economy as it struggles to recover from the deepest recession in seven decades. The Commerce Department said Thursday that retail sales declined 0.3 percent in December compared with November, much weaker than the 0.5 percent rise that economists had been expecting. Excluding autos, sales dropped by 0.2 percent, also weaker than the 0.3 percent rise analyst had forecast. For the year, sales fell 6.2 percent, the biggest decline on records that go back to 1992. The only other year that annual sales fell was in 2008, when they slipped by 0.5 percent. The 0.3 percent decline in December was the first setback since September, when sales had fallen 2 percent. Sales posted strong gains of 1.2 percent in October and 1.8 percent in November, raising hopes that the consumer is starting to mount a comeback. Consumer spending is considered critical to any sustained economic revival since consumer spending accounts for 70 percent of total economic activity. The December drop in sales was a surprise given that the nation's big retailers had reported better-than-expected results last week, reflecting a surge of last-minute holiday shopping. But even with the rebound reported by the nation's biggest chains, these retailers suffered their worst annual performance in more than four decades in 2008, according to data from the International Council of Shopping Centers. The 6.2 percent fall in the government's retail sales figure is only the second decline on records that go back to 1992. In all other years, even during previous recessions, retail sales, which are not adjusted for inflation, have managed to increase. For December, sales of autos dropped by 0.8 percent following a 1.2 percent rise in November. Sales at specialty clothing stores fell by 0.6 percent while sales at general merchandise stores, a category that includes big retailers such as Wal-Mart, were down by 0.8 percent while sales at department stores were flat. Sales at electronics and appliance stores dropped by 2.6 percent and sales at hardware stores dropped by 0.4 percent. The weakness over the year reflected the battering that consumers have taken from the worst recession since the Great Depression, a downturn that has cost 7.2 million jobs and left households trying to rebuild savings depleted by losses on Wall Street and a crash in housing prices. Economists are worried about consumer spending in the months ahead given their forecasts that unemployment, currently at 10 percent, will keep rising until perhaps midyear. The overall economy, as measured by the gross domestic product, grew at an annual rate of 2.2 percent in the July-September quarter and many economists believe that growth strengthened even further in the final three months of last year. However, the worry is that GDP will slow significantly in the early part of 2010 unless consumers continue to spend. For December, a diverse group of retailers including Costco Wholesale Corp., Target Corp., Macy's Inc. and TJX all reported increases. Luxury stores like Saks Inc. and Nordstrom also saw strong December sales gains and even Sears Holdings posted a small gain on rising sales at its Kmart chain. Also helping to support retail spending in December was a hint of better days ahead for the battered auto industry. Automakers in the United States ended their worst year in almost three decades in December with slight improvements, led by gains in sales of small cars. **(AP)**

Colorado to Gain Jobs in '10, Forecast Says

Colorado should see job growth returning and home prices start rising again this year as the U.S. economic recovery gains traction, according to a forecast Wednesday from Vectra Bank Colorado. The U.S. economy should grow 2.5 percent to 3 percent this year, adjusting for inflation, predicted economist Jeff Thredgold at Vectra Bank's 17th Annual Economic Forecast Breakfast. While not especially robust, that recovery and a global rebound are the two precursors needed for Colorado to enjoy consistent job growth again. "Colorado will move out of its own recession by the latter part of 2010," Thredgold said. Still, the need to unwind the massive debts accumulated by households, businesses and government will translate into a recovery sluggish in its pace and volatile in its temperament. "The recession has left a swath of damage and challenges to be addressed in 2010," said Patricia Silverstein, who presented her forecast on behalf of the Metro Denver Economic Development Corp. Nonfinancial debt in the U.S. equals nearly 250 percent of the nation's economic output, compared with 157 percent on average in past decades, noted George Feiger, chief executive of Contango Capital Advisors. To shake that debt off, consumers will continue to spend less and save more, which should keep downward pressure on retail spending. After falling 4.8 percent in 2008 and a devastating 11.1 percent in 2009, retail sales in the metro region should rise by 0.6 percent this year, Silverstein forecasts. Personal incomes in the state should rise 2.2 percent this year after falling an estimated 2.5 percent last year, she added. Median home prices should rise about 2.5 percent over the course of the year, although metro-area foreclosures will remain elevated at more than 25,000 this year, Silverstein predicts. The Denver region will register job growth of 0.1 percent, according to Silverstein's forecast. That's a morsel, but it represents a marked improvement from 2009's 3.9 percent decline. Government, one of only two sectors along with education and health care to add jobs last year, will likely start paring payrolls. But firms in professional and business services, wholesale and retail trade, transportation and utilities, and leisure and hospitality will add jobs. People shouldn't be surprised to see the unemployment rate rise in Colorado and nationally as job seekers flow back into the labor force, the economists said. **(Denver Post)**

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DaVita Signs Short-Term Lease in LoDo While it Ponders Permanent Site for HQ

Kidney-care giant DaVita has signed a short-term lease for Lower Downtown office space as options for permanent headquarters are reviewed. The interim office space is at 1551 Wewatta St. DaVita spokesman Brad Chase said Monday that he couldn't disclose how large the space is. In addition, DaVita has extended its current lease on its office space in Lakewood. Chase said work continues on identifying a new corporate-headquarters site. It is believed that DaVita is interested in building at 19th and Wazee streets. DaVita, 433rd on the Fortune 500 with annual revenues of \$6.3 billion, announced last May that it was moving its headquarters from El Segundo, Calif., to the Denver area. More than 50 jobs have been created by DaVita in the metro area since the announcement, Chase said, including senior-level positions. **(Denver Post)**

Commercial Real Estate: 2009 Down From 2008

Commercial real estate sales and leasing were down in metro Denver for 2009 from 2008, with sales often driven by sellers' need for cash to pay down debt. Most selling prices for commercial properties last year were below replacement cost, or how much it would cost to replace the property, according to data from commercial real estate brokerage firm Cushman & Wakefield of Colorado Inc. in Denver. Buyers, meanwhile, took advantage of the opportunity to get good-quality properties at bargain prices. "The good news in Denver is that we're a preferred market for investors, compared to markets we compete with like Phoenix and Las Vegas," said Gene Pride, senior director and investment broker at C&W. "We don't have too much [commercial real estate] supply ... so it won't take Denver as long to recover. We're not doing well, but we're doing better than most markets." Many lease transactions for office space in the metro area happened only because tenants faced expiring leases. But the industrial leasing market was buoyed by European and U.S. contractors of Vestas Wind Systems A/S that needed to be near the Danish wind-energy company's Colorado operations. The \$134 million sale of downtown Denver's 666,654-square-foot Seventeenth Street Plaza office high-rise was metro Denver's largest commercial real estate deal of 2009. The skyscraper's buyer was Newton, Mass.-based real estate investment trust HRPT Properties Trust (NYSE: HRP). REITs recently have been stockpiling cash for acquisitions. Closed in the second quarter, the Seventeenth Street Plaza sale also was one of the largest commercial real estate deals in the country for that period. Several of the metro area's largest sales, though, happened late in the year. Buyers and sellers traditionally try to close deals by year-end for bookkeeping and tax purposes. In one of this region's biggest industrial sales of '09, Panattoni Development Co. sold its 410,000-square-foot warehouse at 20900 E. 36th St. in Aurora in December for \$32.35 million to Union Investment Real Estate GmbH of Hamburg, Germany. Another major December industrial deal involved Denver-based ProLogis' (NYSE: PLD) selling a three-building portfolio including nearly 500,000 square feet for a total of \$18.5 million. The buyer was Cobalt Capital Partners of Irving, Texas. Metro Denver's two largest apartment sales happened last month, as well. Los Angeles-based CB Richard Ellis Investors LLC picked up The Metro, a 415-unit property in downtown Denver, for \$55 million cash, in the highest-priced metro-area apartment sale of last year. The seller was RREEF Funds LLC of San Francisco, which took a loss on the deal but opted to sell at this time partly to get some cash, according to brokers. Private investor Trilogy Real Estate Group LLC of Chicago purchased the 360-unit Summitt Ridge apartments in Denver from UBS Realty Investors LLC for \$22.7 million. "With apartments, we're seeing two types of sales — the fire sale where debt is an issue, but also the conventional sale where a property is performing well," said Mark Favro, a C&W apartment broker. Other significant '09 commercial real estate sales, according to C&W, include:

- FlatIron Crossing, Broomfield — GI Partners LLC of Menlo Park, Calif., acquired 75 percent of this 1.4 million-square-foot regional shopping center for \$116 million, providing a cash infusion to mall owner The Macerich Co.
- The Market at Southpark, Littleton — ACF Property Management Inc. of Studio City, Calif., partnering with Denver investor Gary Dragul, bought this King Soopers-anchored shopping center for \$22 million. ACF and Dragul also bought the Broomfield Marketplace for \$13.1 million.

- 24210 E. 19th Ave., Aurora 80019 — O'Reilly Automotive Inc./Ozark Automotive Distributors of Springfield, Mo., bought this 360,000-square-foot warehouse for \$19.3 million for its own use.
- Terrace Tower, Denver — Private investor Alliance Commercial Partners LLC of Lakewood bought this 12-story, 241,200-square-foot office building in the Denver Tech Center for \$18.4 million.

Major office-space leases were few and far between in '09, and the handful that occurred generally were lateral moves — renewals, expansions and consolidations — rather than new leases, according to C&W. "Last year was very challenging for office leasing," said Steve Billigmeier, C&W associate director and office leasing broker. "The first part of the year, leasing was nonexistent, but in the second half, you had leases expiring, so tenants had to do deals. The larger deals got done in the fourth quarter." Minneapolis-based medical therapy provider Medtronic USA Inc. cemented one of the metro area's largest office leases of '09 in the fourth quarter, taking 108,362 square feet at Coal Creek Corporate Center in Louisville. The deal was a renewal and expansion. Also in that period, Denver-based Catholic Health Initiatives took 97,000 square feet at the 198 Inverness Drive West building in Englewood's Inverness office park for its new headquarters, expecting to occupy the space in June 2010. Alternative energy companies dominated industrial leasing last year, followed by automotive, health care and food companies. SMA Solar Technology AG of Germany, a maker of solar-power components, leased 153,000 square feet at Enterprise Park in Denver's Stapleton neighborhood. "The SMA deal was the most significant industrial lease last year ... and they plan to expand in the next year," said Kirk Vanino, C&W associate director and industrial leasing broker. Abound Solar, a Loveland-based maker of low-cost photovoltaic modules, leased all of the 126,384-square-foot manufacturing building at 9586 East Interstate 25 Frontage Road in Longmont. Property owner First Industrial Realty Inc. sold the building in December for \$10 million to W.W. Reynolds Cos. Inc. of Boulder, partly because of Abound's long-term lease. Companies doing business with Vestas did major metro-area industrial leases, as well, including: Creative Foam Corp. (70,000 square feet), Hexcel Corp. (100,000 square feet), PMC Technology A/S (43,350 square feet) and SGB USA Inc. (12,600 square feet). The first phase of retail space — 10,000 square feet — at the new Hilton Garden Inn on South Colorado Boulevard near Cherry Creek North has been fully leased by restaurants and stores, according to the Crosbie Real Estate Group of Denver, which handled the leasing. "Tenants with good, smart programs can expand," said Scott Crosbie, owner of Crosbie Real Estate Group Inc. **(Denver Business Journal)**

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	CURRENT	1 MONTH PRIOR	1 YEAR PRIOR
FED FUNDS RATE	.25	.25	.25
3 MONTH LIBOR	.25	.25	1.09
PRIME RATE	3.25	3.25	3.25
10 YEAR TREASURY	3.70	3.60	2.24
30 YEAR TREASURY	4.58	4.52	2.87