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

Colorado Mills Owner Agrees to Sale

Colorado Mills owner Mills Corp. agreed today to be acquired for \$1.64 billion by Simon Property Group Inc. and Farallon Capital Management LLC, rejecting an offer from Brookfield Asset Management Inc. Shares of Mills, which owns 38 shopping malls, fell as much as 5.6 percent as the prospect of another bid faded. Simon and Farallon will pay \$25.25 a share in cash, or \$7.9 billion including debt and preferred stock, higher than an earlier offer of \$24 a share, the companies said today in a statement. Chevy Chase, Maryland- based Mills terminated a \$21 a share agreement with Brookfield. "The Mills opera is at an end," David Fick, an analyst at Stifel Nicolaus & Co., who rates Mills shares "hold," said in a note to investors. "We do not expect Brookfield or others to make additional offers." The acquisition allows Indianapolis-based Simon, the biggest U.S. shopping mall owner with 280 properties, to extend its presence in the U.S. by adding holdings that include the Del Amo Fashion Center in Los Angeles. Farallon, a \$26 billion hedge fund based in San Francisco, expands its real estate portfolio after becoming Mills' biggest investor. Mills has lost more than a third of its market value in the last 12 months. The company ran out of money for its biggest project ever, the 104-acre Meadowlands Xanadu shopping and entertainment complex in New Jersey, and it's the subject of a U.S. Securities and Exchange Commission accounting probe. Mills has sold properties, including Xanadu, to pay down debt. Today's agreement follows a month long bidding contest by Brookfield and the Simon-Farallon group for Mills. Brookfield offered \$1.35 billion on Jan. 17. Simon and Farallon followed that on Feb. 5 with an unsolicited \$24 a share bid. A tender offer for Mills shares will start before the end of this month, Simon and Farallon said in the statement. Hugh Burns, an outside spokesman for Simon and Farallon, declined to comment. Katherine Vyse, a spokeswoman for Brookfield, declined to comment. The increased bid by Simon and Farallon was probably made to top another possible offer from Brookfield, said Rich Moore, an analyst with RBC Capital Markets in Cleveland, Ohio. "They've lost the edge," Moore said of Brookfield. Moore rates Mills shares "sector perform" and Simon as "top pick." He doesn't own the shares. Mills may not have to file financial records with regulators because of the tender offer, making it difficult for investors to judge the value of the company, Moore said. Mills has not filed financial statements since September 2005, he said. "We may never see Mills's financials" said Moore, who called that "astonishing." A message left with Ken Volk, a Mills spokesman, for comment was not immediately returned. If Mills sells to anyone but Brookfield, it will owe Brookfield a termination fee of \$65 million. On March 1, that fee jumps to \$90 million, and on April 15, it rises to \$120 million, according to regulatory filings. **(Denver Post)**

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GHX Expanding in Louisville

GHX LLC said Monday it will move to a larger campus in Louisville in August. GHX is currently in 47,000 square feet of space in the Westmoor Technology Park in Westminster. It will move into 80,000 square feet in Louisville. Twenty of the largest companies in health care own GHX. The company employs about 530 people, with

more than 200 based in Colorado. GHX said it will add another 45 positions in Colorado this year. GHX offers services and tools to help health care organizations reduce costs. **(Denver Business Journal)**

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Office-Condo Building Set Near Union Station Project

Resolute Investments plans to develop a 200,000-square-foot office-condominium building adjacent to the Union Station development in Lower Downtown. Located at the corner of 18th and Wewatta streets, Wewatta Plaza will feature 180,742 square feet of office condos with balconies and penthouse options; 19,551 square feet of retail and lobby space; and 1.9 parking spaces per 1,000 square feet. "As owners, businesses at Wewatta Plaza will be able to build equity and benefit from appreciation while avoiding escalating lease rates," Gary Rohr, chief executive of Resolute Investments, said in a statement. Wewatta Plaza will be an environmentally friendly building designed by Newman, Cavender & Doan Architects. **(Denver Post)**

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EOP Buyer Selling NYC Assets

The Blackstone Group clinched the hard-won Equity Office Properties Trust (EOP) portfolio about 48 hours ago. How's this for a multi-billion dollar office flip? On this quiet Friday afternoon at the tail end of (another) bruising week of deal making, Blackstone has sold \$7 billion of the EOP Manhattan portfolio to local player Harry Macklowe. Rumors of this side deal were first reported in the Wall Street Journal yesterday. The deal gives local investor Macklowe another 6.5 million sq. ft. of Manhattan office space. The properties are 717 Fifth Avenue, Worldwide Plaza, 1301 Avenue of the Americas, Park Avenue Tower, 527 Madison Avenue, 1540 Broadway, 850 Third Avenue and Tower 56. In a press release, Harry Macklowe called the acquisition "a synergistic compliment" to his existing portfolio. Macklowe already owns about 6 million sq. ft. of Manhattan office space, chiefly in the high rent Midtown district, so this deal will more than double his sizeable New York footprint. Market watchers expect Blackstone to part with even more EOP assets over the next few weeks. Real estate investor Larry Fiedler, president of JRM Development Enterprises, wouldn't be surprised if some assets were sold to Vornado Realty Trust and its unsuccessful bidding partners, Starwood Capital and Walton Street Capital. "Vornado and Walton Street have [probably] made deals with Blackstone [already]. Blackstone is not an operator," says Fiedler, who formerly taught at New York University's Real Estate Institute. Fiedler expects Vornado to pursue EOP's Irvine, Calif. portfolio. The investor believes there's a lot of upside to that portion of the empire, and he also sees Vornado as the perfect buyer for these assets. "That stuff needs the type of effort that is right up Vornado's alley," he says. Just how many more EOP assets will Blackstone shed? Fiedler estimates that as much as 25% of the portfolio — or 25 million sq. ft. of office space — could be shorn off in coming weeks. **(National Real Estate Investor/Parke Chapman)**

Global Property Frenzy Fuels Record Sales Volume

Commercial property sales increased by 30% on a global basis last year to hit a record \$733 billion, according to an upcoming report by brokerage firm Cushman & Wakefield. Few regions of the developed world saw a decline in sales activity. But the real push came from Europe and Asia, which were up 50% and 48% over 2005 levels respectively. With investment volumes of \$345 billion (the U.S. accounted for 47% of global activity, down from 54% in 2005), Europe increased its share from 35% to 40%, and Asia increased from 11% to 13%. Cross-border capital continued to be the dominant force during 2006 when it represented 29% of the total global market, up from 25% in 2005. Europe continues to have the strongest penetration of cross-border investors, who now account for half of all investment in the region. Asia has seen activity from foreign buyers rise to 32% from 28% while U.S. and Canada saw a more moderate increase of 13%. "The development of the global REIT market is likely to drive an increase in merger and acquisition activity during the year, which may divert capital from direct property acquisitions hence reducing global property flows," says David Hutchings, head of Cushman & Wakefield Research Europe Middle East and Africa. "[But] this is symptomatic of the increased weight of capital targeting real estate and opens the door to more trading activity in 2007 and 2008."
(National Real Estate Investor)

Fed Chief Bullish on Economy, Hints of Rate-Hike Pause

Federal Reserve Chairman Ben Bernanke offered a mostly upbeat assessment of the economy Wednesday, citing housing and inflation improvements in comments suggesting that the Fed will leave interest rates alone for a while. Bernanke said that at present, interest rates are at a level that is "likely to foster sustainable economic growth and a gradual ebbing of core inflation." "Overall, the U.S. economy seems likely to expand at a moderate pace this year and next, with growth strengthening somewhat as the drag from housing diminishes," he said as he delivered the Fed's economic report for the first time to a Democrat-controlled Congress. The Fed has held the benchmark federal funds rate at 5.25 percent since August, giving borrowers a reprieve. Before that, the central bank had steadily raised interest rates for two years, the longest stretch of hikes, to fend off inflation. Many economists said Bernanke's testimony to the Senate Banking, Housing and Urban Affairs Committee buttressed their belief that the Fed will continue to hold rates steady for much of this year. Still, Bernanke was not prepared to declare victory over inflation just yet. Thus, he did not close the door on the possibility of further rate increases down the road. The Fed chief was careful to hedge his bets and pointed out risks that could upset the generally good economic outlook. One is that inflation might flare, which is why the Fed is keeping open the option of a rate increase. It will "be some time before we can be confident that underlying inflation is moderating as anticipated," Bernanke said. If inflation does not wane as the Fed expects, policymakers are "prepared to take action," he said. In its latest economic projections, the Fed said it expects the economy this year to grow between 2.5 percent and 3 percent, as measured from the fourth quarter of last year to the fourth quarter of this year. That would be slower than a previous Fed forecast and less than the 3.4 percent growth logged for all of 2006. "Core" inflation, excluding volatile

categories of energy and food, should ease to between 2 percent and 2.25 percent, which would be down from 2.3 percent last year. The unemployment rate may rise to a high of 4.75 percent, still low by historical standards. **(Denver Post)**

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	CURRENT	1 MONTH PRIOR	1 YEAR PRIOR
FED FUNDS RATE	5.25	5.25	4.50
3 MONTH LIBOR	5.36	5.36	4.77
PRIME RATE	8.25	8.25	7.50
10 YEAR TREASURY	4.69	4.70	4.62
30 YEAR TREASURY	4.79	4.79	4.55