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Mercy Housing Breaks Ground on City Park Project

Mercy Housing, a nonprofit affordable housing development company, today broke ground on the Legacy at City Park South. The project, across from City Park, fulfills Opus Northwest's affordable housing requirement for the luxury Pinnacle at City Park South high-rise condo towers under construction. "This will be a tremendous project, and will provide downtown residences to many people who thought they had been priced-out of the area," says Ricardo Rodriguez, project developer for Mercy Housing. "Opus Northwest has donated time, money and resources to help ensure the success of the Legacy, and provide an important option to people who want to live in this exciting and rapidly emerging part of Denver." The Legacy at City Park South will provide residences to people with an average income of approximately \$40,000 to \$61,000 per year. It will have a total of 33 one- and two-bedroom units, priced between \$130,000 and \$195,000 and ranging in size from 600 sf to 1,060 sf. Opus Northwest is serving as the master developer of the project and donated the land to Mercy Housing. Mercy has also hired the services of Buchanan Yonushewski Group for the design and construction of the Legacy, a step that has eased the entire development process and enabled construction to begin more rapidly. "We viewed the Legacy at City Park South as a complement to the Pinnacle at City Park South, rather than simply a way to meet our affordable housing requirement," says Scott Menefee of Opus Northwest. "It will be an outstanding neighbor to the Pinnacle and provide a tremendous option to people who want to live Downtown. We all share in a common vision for the redevelopment of this area, and both of these projects reflect that vision." The Pinnacle at City Park South will include two residential towers and 18 two-story brick town-homes, all located on the former Mercy Hospital site between 16th and 17th avenues and St. Paul and Fillmore streets adjacent to City Park. Mercy Housing's original headquarters was located on the new construction site 18 years ago, prior to the organization's move to 1999 Broadway in Downtown Denver. Founded by the Sisters of Mercy, Mercy Housing's mission is to create stable, vibrant and healthy communities by developing, financing and operating affordable program-enriched housing for families, seniors and people with special needs. **(Globest.com)**

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Unusual Suspects Boost First Quarter Office Rebound

Here's another sign that the recovery in the office market is gaining momentum. Across the nation, the office vacancy rate slid by 60 basis points from 14.7% to 14.1% during the first quarter — the largest quarterly decline in six years. Real estate research firm Reis Inc. also reported this week that effective rents jumped by 2% during the quarter, which was the fastest rate in more than five years and double the pace of the previous quarter. Even more encouraging, perhaps, is the news that some long-depressed markets, including Chicago and Dallas, posted strong gains in the first quarter. Grubb & Ellis reports that the Dallas market had 1.29 million sq. ft. of net absorption in the first quarter — a far cry from the 130,000 sq. ft. of negative net absorption in the first quarter of 2005. In Chicago, net absorption quintupled from 251,000 sq. ft. in 2005 to 1.27 million sq. ft. this year.

The last time Dallas posted 1 million sq. ft. of positive quarterly absorption was six years ago. A major factor in the turnaround in first-quarter was expansions at law firms, Grubb & Ellis reports. Meanwhile, in Chicago several large tenants signed new leases, driving vacancy down to 19% from 19.9% in the first quarter of this year. "It really seems like a different set of markets contributed to the first quarter office recovery," says Bob Bach, national director of research at real estate services firm Grubb & Ellis. While major contributions to the office recovery were made in key coastal markets such as New York City and Los Angeles, it's telling that Chicago and Dallas started the year on such a strong note. This is not to suggest that both cities are out of the woods, however: Dallas was still 21.7% vacant at the end of March, and Chicago was hovering only 100 basis points under 20% vacant. Yet it's also unclear if this momentum can be sustained during the second quarter. What's driving rental growth is the national economy, which may have picked up steam since New Year's Day. First-quarter GDP, for example, is expected to register as high as 5% — and that would come in higher than the 3.8% growth rate achieved in the first quarter 2005 (not to mention higher than the 1.7% GDP from the fourth quarter 2005). But GDP really doesn't tell the whole story. A baseline comparison between cumulative job growth data from the previous expansion (1996 to 1999) and the current one (projected out from midyear 2006 through the end of the first quarter 2009) finds that most key office markets will produce far fewer jobs this time around. According to an analysis prepared by Property & Portfolio Research (PPR), Dallas posted 14% cumulative office-using job growth between 1996 and 1999 — second to only Seattle. During the current expansion, however, Dallas will post just 7% job growth. The same dynamic holds true for Chicago, which boasted 6% job growth in the previous expansion. PPR expects Chicago's labor expansion to barely hit 4% over the next three years. The irony of this analysis is that New York, Boston, Los Angeles and San Francisco are expected to post the slowest job growth of all key metro markets over the next three years. Conversely, cities like Seattle, Dallas, Houston and Atlanta should lead the market in cumulative job growth. It also means that three of the four projected top performing markets will be landlocked. "It's good to see these markets joining the recovery phase after a long time," says Bach of Grubb & Ellis. "They're still very late to the party, but you can't deny that they are recovering." **(National Real Estate Investor/Parke Chapman)**

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Decline in Leading Indicator Suggests Slowing Economy

A gauge of future economic activity dipped 0.1 percent in March following a revised drop of 0.5 percent the previous month, suggesting that the nation's economy could weaken later in the year. The Conference Board, a private research group, said Thursday that its index of leading economic indicators fell to 138.4 in March from 138.5 the previous month. The declines followed four consecutive months of rising readings and came as soaring crude oil prices and higher interest rates are expected to begin cutting into consumer spending, which is the engine for two-thirds of the nation's economic growth. The March reading was slightly below analysts' projections; they had expected the index to show no change in March from February. The number of new people signing up for jobless benefits last week fell sharply, a sign that employers are feeling better about the business climate. The Labor Department reported Thursday that new applications filed for unemployment

insurance dropped by 10,000 to 303,000, the best showing since the beginning of April. The level of new jobless-benefit filings suggests that the labor market is maintaining decent momentum. Last week's decline was steeper than analysts were expecting. Before the report was released, they were forecasting claims would fall to 308,000. **(Rocky Mountain News)**

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Colo. Keeps Tech Job Concentration

Colorado remains a hotbed for high-tech employment, according to a new report by the trade association AeA. The group's ninth annual Cyberstates study revealed Colorado remained the state with the highest concentration of tech industry workers. Data for 2004, the most recent year for which statistics are available, show that of every 1,000 private-sector workers in Colorado, 88.7 were employed in the high-tech industry. Virginia was a close second, with 88.6 for every 1,000 working in high tech. Jessica Wright, executive director of the AeA Mountain States Council, cautioned that Colorado needs to improve math and science education to ensure a future workforce for the high tech industry. "For many years, Colorado has had the highest concentration of tech workers in the country," she said, "but that distinction is no longer assured." Colorado's high-tech workers earned an average salary of \$76,400, or 90 percent more than the typical private-sector job, the AeA study found. The state's high-tech payroll amounted to \$12.2 billion in 2004. Colorado saw a drop in the high-tech work force between 2003 and 2004. The average annual employment fell to 159,752, or a decline of 1.5 percent. The industry peak in Colorado, according to the AeA, was in 2001 when the state counted 204,363 high-tech workers. Colorado has seen a 15 percent drop in high-tech employment since 1999, or 28,300 fewer jobs. The state shows up as a leader in only one of the 16 sectors of the high-tech industry. Colorado ranks No. 5 for employment in the software sector, with 13,668 employees. Colorado fared well in attracting more venture capital investment, the AeA found. The state saw a \$197 million increase in VC investments between 2004 and 2005, putting it in third place behind California and New York. California stands out for having the largest concentration of high-tech workers, with 904,900, or more than twice as many as No. 2-ranked Texas. **(Denver Business Journal)**

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REIT Buying 280,000-SF EPA Building for Approximately \$95M

Omaha-based Government Properties Trust Inc. on Friday said it has entered into a "definitive agreement" to buy a 280,000-sf EPA building for a maximum of \$95 million. The facility, currently owned by an affiliate of Opus Northwest LLC, is under construction along on a portion of the former post office annex site next to Union Station in Lower Downtown. The sales price equates to about \$339 per sf, a new record for a Downtown office building. It is approximately 16.5% higher than the \$291 per sf that California-based KBS Realty Advisors paid to Continuum Partners last year for the 206,000-sf 16 Market Square. Government Properties, a real estate investment trust that invests in single-tenant, government buildings, expects to

close on the transaction when it is occupied by the EPA in late December. The General Services Administration, on behalf of the Environmental Protection Agency, has executed a 10-year lease on the building. EPA execs say it will be one of the most energy-efficient buildings in the metro area when it opens. Approximately 16,000 sf of the building will be available for street-level retail space, and the project includes 225 on-site underground parking stalls and 122 off-site surface stalls. "We are quite pleased to secure this project," says Thomas D. Peschio, president and CEO of Government Properties Trust. "It is excellent real estate, well-designed and properly situated to serve as the regional headquarters of an essential governmental agency under a long-term lease with a high probability of renewal. This type of property fits quite well with the long-term growth strategy of this company." Government Properties is in the process of securing fixed interest rate financing for the underlying first mortgage that will be placed on the property at the time of closing. A forward interest rate lock has been put in place pending completion of the project. While this property has been placed under a binding contract, there is no assurance the transaction will close or will close as scheduled, Government Properties execs caution. Construction is not complete and there are no assurances that it will be completed on schedule, they add. **(Globest.com)**

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	CURRENT	1 MONTH PRIOR	1 YEAR PRIOR
FED FUNDS RATE	4.75	4.50	2.75
3 MONTH LIBOR	5.10	4.94	3.16
PRIME RATE	7.75	7.50	5.75
10 YEAR TREASURY	5.04	4.66	4.20
30 YEAR TREASURY	5.13	4.70	4.53