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### **Forest City, Fitzsimons JV Developing \$2B Bioscience Park**

The Fitzsimons Redevelopment Authority and Forest City Fitzsimons Inc., a subsidiary of Forest City Enterprises, announced late Monday afternoon they have entered into a long-term partnership to develop the 160-acre private-sector bioscience park adjacent to the University of Colorado Health Sciences Center campus at the former Fitzsimons Army Medical Center in Aurora. The current plan estimates that the development would take 15 to 20 years at a cost of nearly \$2 billion. The plan also estimates it would have about 3.5 million sf at build out and employ 6,000 people. "Fitzsimons was created to bring private business together with the University," says Aurora Mayor Ed Tauer. "Today, we start to build that private sector piece." Under the 30-year agreement, Forest City would lease land from FRA to develop life sciences-oriented facilities in the bioscience park. In return, FRA would receive fixed annual payments as well as an equity share of net cash flow from the buildings to be constructed. The agreement will include requirements and restrictions for how the facilities will be used, to ensure that the mutual goal of creating a critical mass of life-sciences companies in the bioscience park is achieved. "This deal represents a true partnership," says Jill Farnham, acting executive director of the FRA. "It keeps our goals aligned with the overall mission for developing a world-class state-of-the-art bioscience park." Fitzsimons is "poised to maximize its potential as one of the most exciting life sciences communities in the nation," adds John Lehigh of Forest City Enterprises. "Forest City looks forward to working with the FRA to develop a bioscience park that becomes one of the crown jewels of that community." Separately, Forest City plans to develop its own bioscience park at the adjoining Stapleton. That development, still in embryonic stages, is called Stapleton Business Center South. Tom Gleason, spokesman for Forest City Enterprises, tells [GlobeSt.com](#) that the idea behind that park is to provide facilities that would be needed as a spin off from research at Fitzsimons. (**Globest.com**)

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### **Main Street Zoning for Colfax Avenue Moving Forward**

The Denver City Council on April 17 is expected to adopt the "Main Street" zoning for a 2.5-mile stretch along East Colfax Avenue that runs from Broadway to South Colorado Boulevard. The idea for the Main Street zoning is to allow developers to create high-density, pedestrian-friendly, New Urbanism-style developments along the corridor. It is being hailed as the biggest zoning change for the corridor in a half of a century. John Huggins, economic development director for the City of Denver, tells [GlobeSt.com](#) that the Main Street zoning will help revitalize East Colfax, currently a "hodge-podge" of developments, more than any other single factor. Often, he explains, the parking requirements are so stringent, owners of older buildings along the corridor can't develop their buildings into modern, mixed-use developments. Instead, the corridor, which was made famous by novelist Jack Kerouac in *On The Road*, has a lot of fast-food restaurants and run down motels. In recent years, some developers have obtained zoning changes or PUDs to allow them

to develop mixed-use communities. The Main Street zoning will be across the board, and will greatly simplify the current cumbersome and lengthy rules for the corridor. Many City Council members, such as Elbra Wedgeworth, see the Main Street zoning as a template for revitalizing other commercial corridors, such as West Colfax Avenue and Federal Boulevard. **(Globest.com)**

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### **Developers To Get Bigger Tax Credits in Enterprise Zones**

The Colorado Department of Revenue has announced a significant change that will allow many developers to realize substantially larger tax credits. With the change, companies that develop property in enterprise zones will qualify for a credit against Colorado taxes. The tax credit is determined based on a percentage of the investment with a maximum credit of \$50,000 per year for in-kind development contributions and \$100,000 per year for cash contributions. An executive with accounting firm CBIZ played a substantial role in the new tax structure. Jerome Gienger, an accounting, tax and advisory services director for the company, was the one to convince officials with the Colorado Department of Revenue to revise the books. Until now, if a partnership invested in an enterprise zone, all the partners were only allowed to divide a single \$50,000 or \$100,000 tax credit between them. Gienger, however, thought each partner should be eligible for up to a \$50,000 or \$100,000 tax credit. A tax credit is a dollar-for-dollar write-off, and therefore more valuable. "One of my clients was involved in an enterprise zone development project," Gienger says. "Their investment qualified them for close to \$1 million in credit. Under the old way of computing the credit, the partners would have divided a \$50,000 credit among themselves. Under the new computation, they each qualify for up to \$50,000 in tax credit, depending on their level of ownership. Now, a 10% partner gets a \$50,000 credit instead of a \$5,000 credit, and a smaller partner gets a \$15,000 tax credit instead of a \$1,000 credit." Gienger worked with the Colorado Enterprise Zone, Jefferson County Enterprise Zone, and Colorado Department of Revenue to implement the changes. Gienger believes that the change in how tax credits are applied may entice investors to develop property in enterprise zones. "When potential investors see the additional tax credits that are now available, it may pique their interest in investing in enterprise zones area where they might not have considered them in the past," Gienger says. "I think it will open investors' eyes to the possibilities of credits they could receive from an investment standpoint. When you look at rates of return, it's an additional positive." **(Globest.com)**

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### **Rosy Forecast for Commercial Markets**

Commercial real estate occupancies and capital flows will continue gaining momentum through the end of 2006, according to a recent report commissioned by the National Association of Realtors (NAR). Fueling this broad-based recovery: steady job growth, strong international trade and investors' ongoing efforts to diversify into commercial property. The analysis crunched data from Real Capital

Analytics and Torto-Wheaton Research covering all five core property classes in the top 56 largest metropolitan areas. "Vacancy rates are declining in all of the major commercial sectors, and rents are rising at healthy rates," says David Lereah, chief economist at trade group NAR, which represents more than 1.2 million chiefly residential brokers. One of the report's chief findings is that investors poured \$268 billion into commercial real estate in 2005, up 44% from the 2004 total on deals above \$5 million. Lereah believes that investors will buy commercial properties as a diversification play. Roughly 13% of all NAR members hold an ownership stake in at least one commercial property. Office vacancy rates, which closed 2005 at 13.6%, will hit 11% by the end of 2006. This tightening should help office landlords raise rents up by 5% this year. In 2005, by comparison, average rents climbed just 2% to reach \$16 per sq. ft. at the end of the year. Occupancy gains will continue to lead rental growth. The net absorption of office space (defined as the leasing of both new and existing space) this year is projected to register 93.4 million sq. ft., which would exceed the 89.1 million sq. ft. in net absorption posted in 2005. The NAR report did not forecast total investment sales volume, but 2005 saw nearly \$100 billion in investment grade office buildings change hands. Foreign investors aren't likely to pull back from their acquisition campaigns, either. According to Jones Lang LaSalle, foreign investors spent \$21.8 billion on U.S. real estate in 2005. Most of that total was poured into domestic office assets such as Manhattan's One Park Avenue. Last year, for example, German fund manager SEB Immobilien-Investment GMBH paid \$323 million for that property. For the industrial market, trade with China should continue to bolster traffic and occupancy demand at key ports. Congestion is such an issue at many West Coast ports that some traffic is being re-routed through the Panama Canal. As a result of this activity, industrial vacancy should drop to 8% by the end of 2006 (down from 9.6% at the end of 2005). Offsetting that vacancy decline, however, new industrial construction will grow 20% this year as new distribution space is built to replace obsolete properties. Rental growth for industrial properties will increase by 3.8% for full-year 2006, which would make for flat rental growth between 2005 and 2006. Investment sales volume, however, increased a full 65% to \$34.5 billion between 2004 and 2005. The hottest markets for industrial space were Chicago, Los Angeles, Atlanta, Dallas and Seattle—and these markets will continue to lure capital and occupancy demand through the end of this year. Despite the addition of new space without sufficient leasing demand, retail vacancy rates should fall slightly through the end of 2006. Retail vacancy closed out 2005 at 8%, but vacancy will dip to 7.8% by the end of December. Net absorption is likely to hit 31.4 million sq. ft. this year, or down from 43.8 million sq. ft. last year. The retail markets that will post the lowest vacancy rates this year include San Francisco, Las Vegas, San Diego, Seattle and West Palm Beach, which will end this year with vacancies of 3.4% or less. **(National Real Estate Investor)**

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### **Interest Rates Pushed Up**

The Federal Open Market Committee unanimously voted to increase the federal funds rate by 25 basis points to 4.75% yesterday. This is the key interest rate that banks charge each other on overnight loans; it also affects other rates charged to consumers and businesses. This was the first time Federal Reserve Chairman Ben Bernanke has raised interest rates, and it came as little surprise. The FOMC also said

"some further policy firming may be needed to keep the risks to the attainment of both sustainable economic growth and price stability roughly in balance." "The slowing of the growth of real GDP in the fourth quarter of 2005 seems largely to have reflected temporary or special factors." Price increases in both energy and other commodities have had only a modest effect on core inflation, according to the FOMC, which added that, "ongoing productivity gains have helped to hold the growth of unit labor costs in check, and inflation expectations remain contained." The Federal Reserve's Board of Governors also voted to approve an increase of 25 basis points in the discount rate, which brings it up to 5.75%. **(National Real Estate Investor)**

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### **DTC Office Building Sells for \$26.4 Million**

A private investment company that did what it set out to do with an 11-story office building in the Denver Tech Center sold the property for \$26.4 million. Mainstreet Capital Partners sold Denver Corporate Center I, a 194,887-square-foot building at 4700 S. Syracuse St., to a local investment and development company, Titan Investments. The building counts IBM, which occupies approximately a quarter of the space, among its tenants. "Our primary objective was to renew the IBM lease and also to lease up the vacant space to a stabilized level. We did what we planned to do," said Mainstreet Capital principal David Warren. **(Colorado Real Estate Journal)**

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### **Help Wanted Again**

Colorado is enjoying its lowest unemployment rates since late 2001 and continuing to add jobs at a faster clip than the rest of the nation, a new report showed. The state in the first two months of the year has posted healthy employment gains in construction, natural resources and mining, financial services, and the broad sector that includes lawyers, accountants, architects and scientific researchers. Those areas overshadowed telecommunications and manufacturing, industries that keep bleeding. The state had 51,500 more jobs than it had a year ago. Tempering the good news, the Colorado Department of Labor and Employment issued a caveat, saying the jobless rate in February could be an aberration and that the number likely would inch higher down the road, while staying relatively low. Still, Colorado had the distinction as the only state in the country with a "statistically significant" dip in its unemployment rate from January to February, according to the figures released on Thursday. The rate in Colorado, adjusted for seasonal changes, fell to 4.3 percent in February from 4.7 percent in January and 5.2 percent a year ago, according to the labor department. Nationally the jobless rate was little changed at 4.8 percent. September 2001 - the month of the Sept. 11 attacks on the World Trade Center and the Pentagon and before a sharp employment downturn - was the last time Colorado reported an unemployment rate that low. That said, "we don't want to place too much emphasis" on the February number, said Michael Rose, an official with the

state labor department, warning that the figures can be volatile. The bottom line is that Colorado's job market appears to be on a positive track. The state is "maintaining the path" it has traveled in recent months, Rose added. The turnaround is welcome in a state that was pummeled in 2002 and 2003 and fell well behind the rest of the country. Denver and the surrounding communities, dependent on technology and telecom, sustained the biggest blows. The Denver region still has not returned to its peak employment levels of late 2000 and 2001, though it should this year, said Patty Silverstein, an economist with Development Research Partners. "It's taken us awhile to recover," she said, adding that the area is on the cusp of recovery turning into expansion. The state finally has crossed that point. Everything from the \$4.3 billion redevelopment of the former Fitzsimons Army Medical Center in Aurora to building in the Vail Valley contributed to the gains in construction, which has experienced a 7.6 percent rise in jobs in the first two months, compared with last year's levels. Oil, gas and mining companies saw a 16 percent increase in employment in those months due to companies such as Kerr-McGee. The exploration and production company is based in Oklahoma City but has expanded its presence here since acquiring Denver's Westport Resources for \$3.4 billion in 2004. For some Coloradans who are out of work, or those who have a job but make less than they once did, the improving headlines might not translate into better times in their households. And the upbeat reports are unlikely to bring much comfort to spots such as Lamar and La Junta in the southeast corner of Colorado. Each place is reeling after losing a plant and major employer late last year. Costilla County, on the border with New Mexico, is another area with a far less optimistic economic story to tell. It had a jobless rate of more than 10 percent last month, according to state data. But the overall picture has brightened. A report this week revealed per capita personal income in Colorado rose 5.1 percent in 2005, compared with 4.6 percent for the country. The state, continuing a trend seen last year, has increased the number of jobs by 2.5 percent in the first two months of the year, compared with a 1.6 percent rise for the nation. Metro Denver, meanwhile, has recorded a 2.4 percent increase. The state posted job growth of 2.1 percent for 2005, hitting an average of just more than 2.2 million jobs. The national average: 1.5 percent. **(Rocky Mountain News)**

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	<b>CURRENT</b>	<b>1 MONTH PRIOR</b>	<b>1 YEAR PRIOR</b>
<b>FED FUNDS RATE</b>	4.75	4.50	2.75
<b>3 MONTH LIBOR</b>	5.00	4.82	3.12
<b>PRIME RATE</b>	7.75	7.50	5.75
<b>10 YEAR TREASURY</b>	4.81	4.50	4.58
<b>30 YEAR TREASURY</b>	4.84	4.50	4.84