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Bernanke Talks Tough on Inflation

Ben S. Bernanke, chairman of the Federal Reserve, warned Monday that recent inflation trends were "unwelcome developments," indicating that he was far less worried about signs of weaker economic growth than about the danger of higher prices. In his toughest comments yet about the risks of inflation, Mr. Bernanke said consumer prices were rising faster than he would like. He gave short shrift to evidence of a slowdown in hiring, and he conspicuously avoided repeating his earlier suggestion that the Fed might consider a "pause" in its two-year program of steady interest rate increases. Speaking to a conference here on international monetary issues with other central bankers, Mr. Bernanke said inflation had climbed to the upper limits of his acceptability. "Core inflation, measured over the past three to six months, has reached a level that, if sustained, would be at or above the upper range that many economists, including myself, would consider consistent with price stability," Mr. Bernanke said. Mr. Bernanke has previously said that core inflation should ideally remain between 1 and 2 percent a year. In his speech, he noted that it had been running at 3 percent over the last six months and 2.3 percent over the last 12 months. "These are unwelcome developments," the Fed chairman said. Jan Hatzius, chief United States economist at Goldman Sachs, said Mr. Bernanke was signaling that the Fed was likely to raise interest rates for a 17th time in two years when its policy-making committee meets on June 28-29. But with Mr. Bernanke and other Fed officials sounding increasingly hawkish on inflation, many analysts contend that the Fed faces less risk of slowing the economy too much by "overshooting" in its rate increases than it would if it let inflationary expectations take hold among consumers and businesses. "They know that if they are perceived to have gone too far, they can change things fairly quickly by reducing rates," said Nigel Gault, a forecaster at Global Insight in Lexington, Mass. "They probably also know that credibility on inflation, once lost, may be difficult to get back." Mr. Bernanke made clear that he thought the economy was now in a "transition" to slower economic growth, but he took little solace from data showing that wages had climbed only modestly, that the housing market appeared to be cooling and that job creation appeared to have slowed markedly. On Friday, the Labor Department reported that the nation added an estimated 75,000 nonfarm jobs in May, only about half as many as most economists consider necessary to absorb the normal increase in the labor force. Instead of highlighting signs of a cooling economy, which would ease inflationary pressures, Mr. Bernanke placed top emphasis on the need for vigilance against rising prices. "Given recent developments, the medium-term outlook for inflation will receive particular scrutiny," Mr. Bernanke said. "There is a strong consensus among the members of the Federal Open Market Committee that maintaining low and stable inflation is essential" for achieving the central bank's dual goals of price stability and full employment. The Fed, he continued, "will be vigilant to ensure that the recent pattern of elevated monthly core inflation readings is not sustained." But Mr. Bernanke's tough tone on Monday contrasted starkly with his testimony in late April before the Senate Banking Committee. In those remarks, Mr. Bernanke explicitly broached the idea of refraining from a rate increase at a Fed meeting to take more time to evaluate incoming economic information, and he said that the Fed might pause even if data pointed to lingering inflation pressure. And while he noted that the recent surge in energy prices was likely to abate, he warned that oil prices might have contributed to the rise in core inflation and that volatile

prices for oil and other commodities "remain a risk" to the inflation outlook. "The best way to prevent increases in energy and commodity prices from leading to persistently higher rates of inflation," Mr. Bernanke said, "is by anchoring the public's long-term inflation expectations." **(New York Times)**

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Westmoor Complex Sold for \$145 Million

A Los Angeles-based company that represents institutional investors on Thursday paid about \$145 million for the 10-building Westmoor Technology Center in Westminster. CB Richard Ellis Investors LLC, a global real estate investment management firm with more than \$17 billion in real estate under management, bought the Westmoor Technology Park along the U.S. 36 corridor. The transaction was handled by the CB Richard Ellis investment team of Mary Sullivan, Tim Swan and Ron Urgitus. The buildings, whose tenants include GE Access, which moved from Boulder, and Ball Corp., have about 1.18 million square feet, according to the CoStar Group. They are about 70 percent occupied. Last year, TIAA-CREF, the lender on the project, took it over from the developer, Westfield Development Co., in a \$125 million transaction. "We are pleased with this sale and remain committed to the Colorado real estate market," said Glen Weiner, a spokesman for TIAA-CREF. Swan said there were about two dozen offers for the property. The corridor's vacancy rate rose to more than 50 percent from 2000 to 2001 but is making a comeback. "All the fundamentals are clearly improving, and the area is on the upswing," Sullivan said. Sullivan said investors saw Westmoor as a smaller-scale version of the Inverness Business Park or Meridian International Business Center along the southeast corridor. **(Rocky Mountain News)**

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LSI Building Sale Tops \$12 million

LSI Logic's 121,400-square-foot building on Harmony Road in Fort Collins will be converted to multitenant office space after being purchased by an Arizona company for \$12.6 million. LSI sold the building at 2950 E. Harmony Road to Arizona Land Company LLC, a Carefree, Ariz., investment and development group that plans to update the lobbies and entrances and rename the building Harmony Corporate Center. "They saw an opportunity to buy a Class A building in a good market," said Mary Frances Cowan of Grubb & Ellis|Quantum Commercial Group in Colorado Springs, who represented the buyer. Cowan said Arizona Land believes it can stabilize the building by breaking it up for multiple users. **(Colorado Real Estate Journal)**

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Colorado's Economic Output Rises

Colorado's economy continued to accelerate last year even as economic growth slowed in most other states, according to a report released Tuesday by the Bureau of

Economic Analysis. After adjusting for inflation, Colorado's gross state product rose 4.2 percent in 2005, up from a 3.9 percent growth rate in 2004. GSP measures a state's economic output in goods and services - and is analogous to national gross domestic product. Colorado generated \$216 billion in economic activity last year, measured in current dollars. "We have been talking for a long time that Colorado will be about six to 12 months behind (the rest of the country) in its recovery," said Jeff Thredgold, an economist with Vectra Bank Colorado. "That is still the case." If Colorado were its own country, its economy would be comparable in size to that of the Czech Republic or Norway, according to the CIA's World FactBook. As a group, the Rocky Mountain states had the strongest economic growth of any region at 5 percent. Four of the five mountain states ranked among the top 10 for GSP growth in 2005; Colorado ranked 17th. Of the other states in the region, Idaho had 7.5 percent economic growth, Utah 5.8 percent, Montana 5.4 percent and Wyoming 4.9 percent. Neighboring states have lower unemployment rates and tighter labor markets than Colorado, which could slow their economic growth going forward, Thredgold said. "There is some modest slack in Colorado that other states don't have," he said. The three fastest-growing state economies last year were Arizona at 8.7 percent, Nevada at 8.2 percent and Florida at 7.8 percent. The three slowest-growing were Louisiana, devastated by Hurricane Katrina, which saw a 0.6 percent decline in its output; auto hub Michigan, which was flat; and Alaska, which rose 0.6 percent. Among the sectors that contributed most to Colorado's growth were business and professional services, trade, durable-goods manufacturing, information and natural resources. Tuesday's report also revealed that economic growth in the state in 2003 was much weaker than first estimated - 1.4 percent instead of 2.1 percent. Economic growth in Colorado also remains significantly below the 7 percent-plus pace enjoyed in the late 1990s and 2000. **(Denver Post)**

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Breakers Draws Record Sales Price

The Bascom Group of California on Tuesday confirmed it paid a record \$190.5 million for the Breakers Resort, a 1,523-unit luxury apartment community near Lowry. The price that Irvine, Calif.- based Bascom paid tops the record \$176 million that TIAA-CREF paid last year for the Palomino Park in Highlands Ranch. Bascom bought the Breakers from its developers, Koelbel and Co. and Al Feld. They initially developed the 190-acre community at 9099 E. Mississippi Ave. in 1989. Koelbel, who heads his namesake company, noted that his company will keep an undisclosed equity position in the Breakers, although Feld will not. Koelbel Property Management will continue to manage the Breakers. "We're thrilled with this transaction, and we're thrilled that we will continue to be involved with the Breakers," Koelbel said. "We remain very bullish on Denver." He said he and Feld sold the development because Feld is spending much of his time in California, is slowing his business activities and wanted to pare back his Denver holdings. The sales price of \$125,082 per unit is pretty close to the replacement cost, Koelbel said. The Breakers, which has long been a favorite among professional athletes, is about 90 percent occupied, he said. Bascom also acquired an adjacent 18.2-acre site that could accommodate more than 600 units with buildings up to 150 feet tall. Jeff Hawks, principal of Apartment Realty Advisors, wasn't involved in the transaction but said he thinks this will remain the top sale in the metro area for the foreseeable future. Hawks said it no longer is

economically feasible to build large, first-class apartment communities such as the Breakers, so the existing ones carry huge premiums and price tags. **(Rocky Mountain News)**

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	CURRENT	1 MONTH PRIOR	1 YEAR PRIOR
FED FUNDS RATE	5.00	4.75	3.00
3 MONTH LIBOR	5.31	5.16	3.39
PRIME RATE	8.00	7.75	6.00
10 YEAR TREASURY	5.02	5.12	3.90
30 YEAR TREASURY	5.09	5.19	4.19

