Investment Market Update

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Investment Market Update

- Abundant Aggressive Equity – Historic Highs
- Low Cost Aggressive Debt – Historic Lows
- Improving Market Fundamentals

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- Increased Transaction Volume
- Decreasing Initial Cap Rates & Overall Returns
“All my lunch money’s in real estate.”
The Capital Choices are Numerous

- **CASH**
- **Return**
- **Risk**
- **FIXED INCOME** - Bonds
- **CORE**
  - Reits
  - Pensions
- **CORE PLUS**
  - Pensions
- **OPPORTUNITY**
  - Wall Street
  - Private
- **VALUE ADDED**
  - Pensions
  - Private
- **EQUITIES** - Stocks
- **FIXED INCOME** - Bonds
- **CASH**
Risk vs. Total Return – Unleveraged 10yr.

**RISK**
- Opportunistic
- Value Added
- Core Plus
- Core

**TOTAL RETURN**
- 10.50+%: 9.50 – 10.00%
- 9.50 – 10.00%
- 8.50 – 9.50%
- 7.50 – 8.50%
Private Real Estate Market Pricing

- NCREIF Cap Rate
- Ten-Year Treasury Yield
Denver’s Competitive Advantage

- Long-Term Structural Advantages
  - Strategic Geographic Location
  - Enhanced Transportation Facilities – DIA, TREX, & FasTracks
  - Highly Skilled and Educated Labor Force
  - Financial Service Employment
  - Oil & Gas Employment
  - Low Business Costs
  - Quality of Life – Recruit, Retain, Relocate
Capital Market Conclusions

- Real Estate Has Been Re-priced
  - Commercial Real Estate Was Undervalued (’96–’00)
  - Cap Rates for Strong Income Properties Have Declined Dramatically
  - No Longer Undervalued As Equity

- Investing In a 4% World
  - Lower Nominal Returns but Still 5% Real
  - Risk Premium Have Declined Slightly

- Significant Risks and Rewards to Current Market
  - As With “Bonds, Must Reduce Future Return Expectations
Major Office Sales

- 16 Market Square
- Alamo Plaza
- Solarium
- One DTC
Major Retail Sales

Market at Southpark

Belleview Promenade

Southlands Power Center

Shoppes at the Meadows
2005 Investment Forecast

- Capital Will Continue to Be Plentiful
- Number of Offerings – Historic High
- Prices Will Be Increasing
- Investor Competition Will Be Ferocious
- New Supply Will Come Quickly When Recovery Commences
- The Biggest Variable / Impact – Alan Greenspan
“And please let Alan Greenspan accept the things he cannot change, give him the courage to change the things he can and the wisdom to know the difference.”