



## African Proverb

Every morning in Africa, a gazelle wakes up

It knows it must run faster than the fastest lion or it will be killed and eaten

Every morning a lion wakes up.

It knows it must outrun the slowest gazelle or it will starve to death

It does not matter whether you are a lion or gazelle.

When sun comes up, you **better start running.**



# DESPAIR

**It's always darkest  
just before it goes pitch black.**

# We Have Some Issues

- Total value of distressed commercial RE: \$191.5 B.
- In 2011, \$600 billion loans coming due
- Lenders continue to extend debt obligations
- Office sector represents largest share of distressed
- Property values beginning to rise

# Job Growth: From Feb. 2010

- Hospitality/Tourism: 15,400
- Professional/Business: 12,200
- Mining/Construction: 6,800
- Transportation/Warehousing: 5,500
- Education/Health: 3,400
- Financial Services: (1,600)
- **Delta projects: 20,000 to 30,000 growth in 2011 and 2012**

# Denver: CBSA

- **Office job growth**

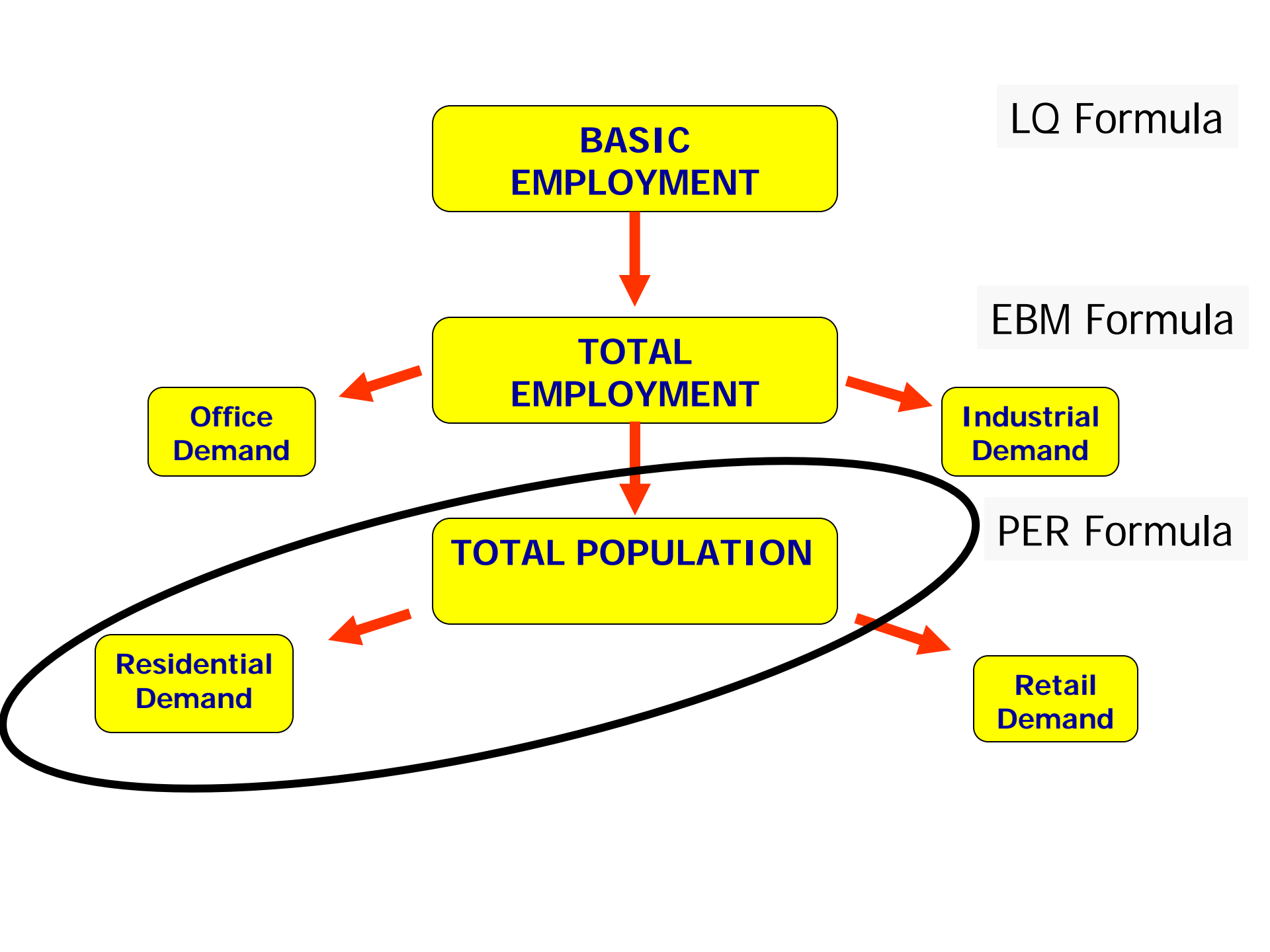
- January: 401,305,000

- March: 403,819,000

- June: 412,755,000

- August: 415,189,000

- Where are we in the office market cycle?



**BASIC  
EMPLOYMENT**

LQ Formula

**TOTAL  
EMPLOYMENT**

EBM Formula

**Office  
Demand**

**Industrial  
Demand**

**TOTAL POPULATION**

PER Formula

**Residential  
Demand**

**Retail  
Demand**



# MISTAKES

**It could be that the purpose of your life is only to serve as a warning to others.**

# Clients

## •Core Base Clients

- Searching for yield
- Low capitalization rates
- Mega Cities: 5 ½ to 6 ½ %
- Smaller Cities: 7 ½% to 9%
- IRR: 15% to 18%
- Hold: 5 years
- Return: From cash flow

# Opportunity

- Accept greater risk
- IRR: 18% to 22%
- Capitalization Spread: 150 to 200 BP
- Hold Period: Under 5 years
- Return: From appreciation and stabilization

# What is Needed?

- Information
- Boots on the Ground
- Identification of opportunity
- Market information that justifies decisions
- Alignment of interest

# Summary

- Bottom of the cycle
- Entering recovery phase
- For **Tenants:** Take advantage of market conditions
- For **Developers:** Acquire discounted assets for redevelopment. Project shovel ready
- For **Investors:** Optimize performance of existing assets and with eye to long term





