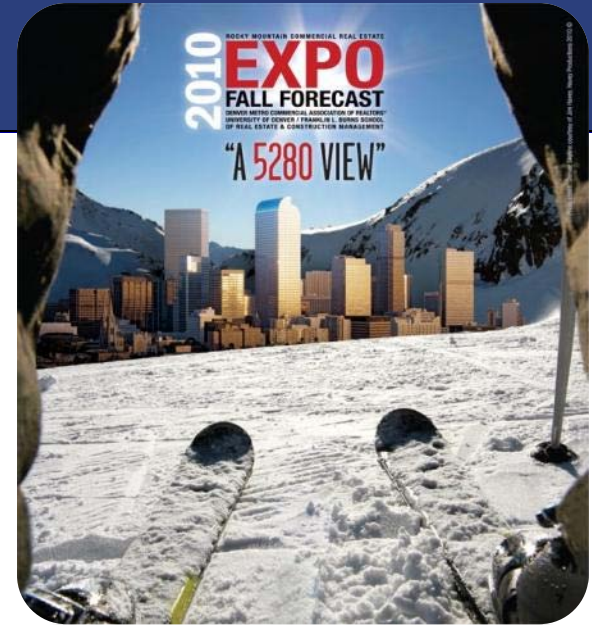


2010

ROCKY MOUNTAIN COMMERCIAL EXPO & FALL FORECAST



Mark Sidell

November 2, 2010



Gart
gartproperties

ROCKY MOUNTAIN EXPO & FALL FORCAST Panelist



Mark Sidell

President, Gart Properties
Moderator & Retail
Denver, Colorado



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Transwestern
Denver, Colorado



Larry Mizel

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Residential - Housing
Denver, Colorado



Larry R. Sloan

Senior Vice President
Acquisitions and Investments-Multifamily
Behringer-Harvard
Multi Family Residential
Addison, Texas

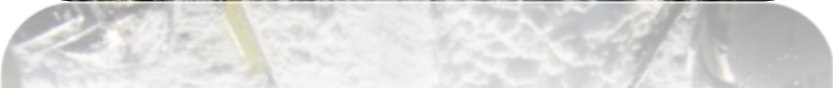


John Propp

President
John Propp Commercial Group
Small Investments / Retail
Denver, Colorado



2011: MORE UPHILL SKIING FOR RETAIL



ROCKY MOUNTAIN COMMERCIAL REAL ESTATE

2010 EXPO
FALL FORECAST

SENIOR VICE PRESIDENT COMMERCIAL ASSOCIATION OF AGENTS
UNIVERSITY OF DENVER / FRANKLIN D. SWANSON SCHOOL
OF REAL ESTATE & CONSTRUCTION MANAGEMENT



ARE MIXED SIGNALS A SIGN OF TRANSITION?

Retailer 'profit potential' on the rise, report says

U.S. Holiday Sales to Climb 3% to 3.5%, ICSC Says

Industry Leaders: 'Less Whining, More Movement'

Retailers Need 'Promo Mojo' to Survive Holiday 2010

Investors eager to buy commercial property, survey shows

Strong September sales bode well for important holiday season

NOT FOR THE MEEK-HEARTED

Fort Collins retail sales up 2.6 percent in August

Left Behind?

Retail expansion is expected in second half of 2011

The Worst Times Require The Best Talent

More Vacancies Hit Shopping Centers

US luxury stores outperform rest of retail sector

'It's Better Here,' Economist Says

Economic engine "sputters"

Denver-area economists see more job losses for 2010

Denver named a real-estate market to watch

More Vacancies Hit Shopping Centers

Winter Holiday Forecasts: Moderately Subdued

Landlords Hope Pop-Ups Will Turn Permanent

Midnight grocery runs capture economic desperation

The Average Project Will Still Lack Refi Dollars

Walmart Rolls Back Rollbacks: Food Prices at Two-Year High

Consumers Dig Deep but Find Less Money for Holiday Shopping in 2010



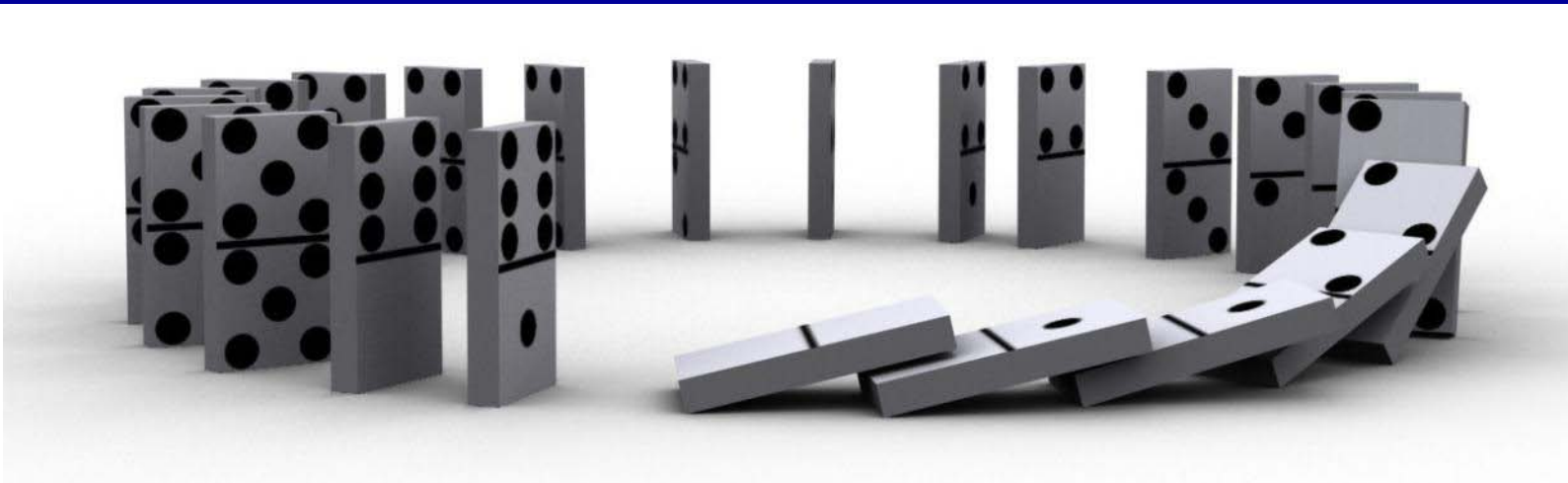
TUESDAY; NOVEMBER 2, 2010 12:37 PM



THE DENVER PAVILIONS



REVERSING THE DOMINO EFFECT



- Active Consumers
- Strong Retail Sales
- Healthy Retailers
- Escalating Retail Rates
- Percentage (overage) Rents
- Capital Flowing Into Real-estate Investments
- Compression of Cap Rates

- The Great Recession
- Job Losses
- Consumer Contraction
- Plummeting Sales
- Store Closures
- Co-Tenancy Failures
- N.O.I. Collapse
- Capital Markets Frozen
- Virtually no Transactions

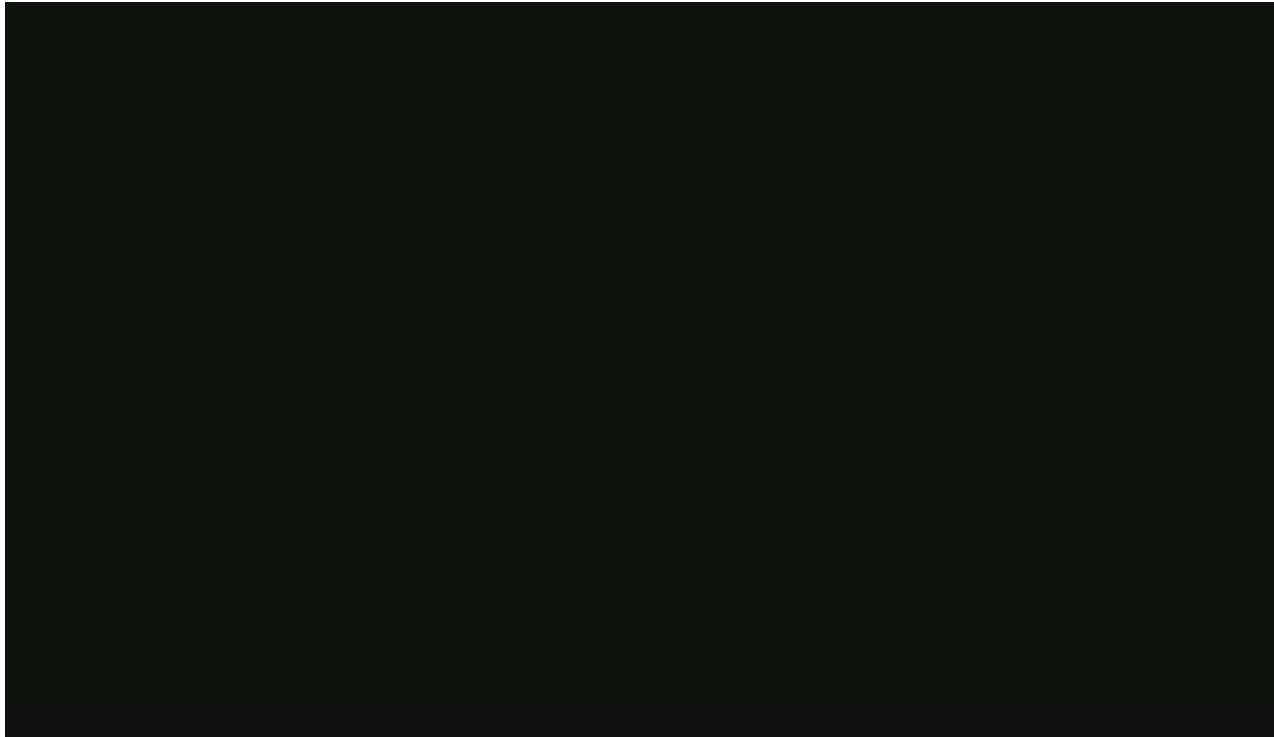
- Some Consumers Regaining Confidence
- Others - Still no Jobs
- Declining Pace of Store Closings
- Re-Appearance of discretionary spending
- Spotty Sales Growth
- Opportunistic Tenant Expansion
- Trickle of Capital Market Activity



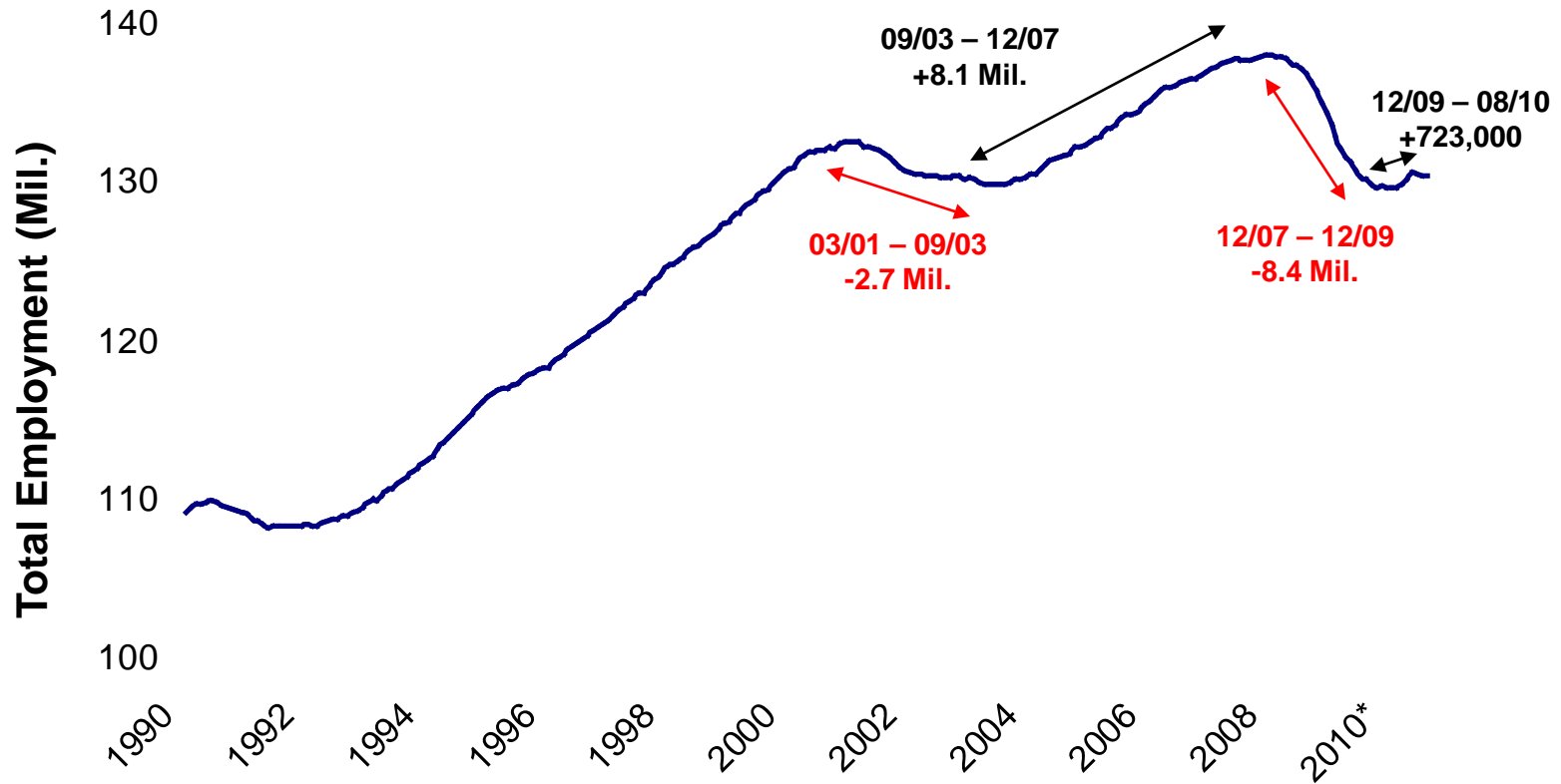
WHATS GOING ON WITH THE CONSUMER?



THE CONSUMER IS UNDER PRESSURE & THE RETALER IS UNDER ATTACK



U.S. Monthly Employment Trends

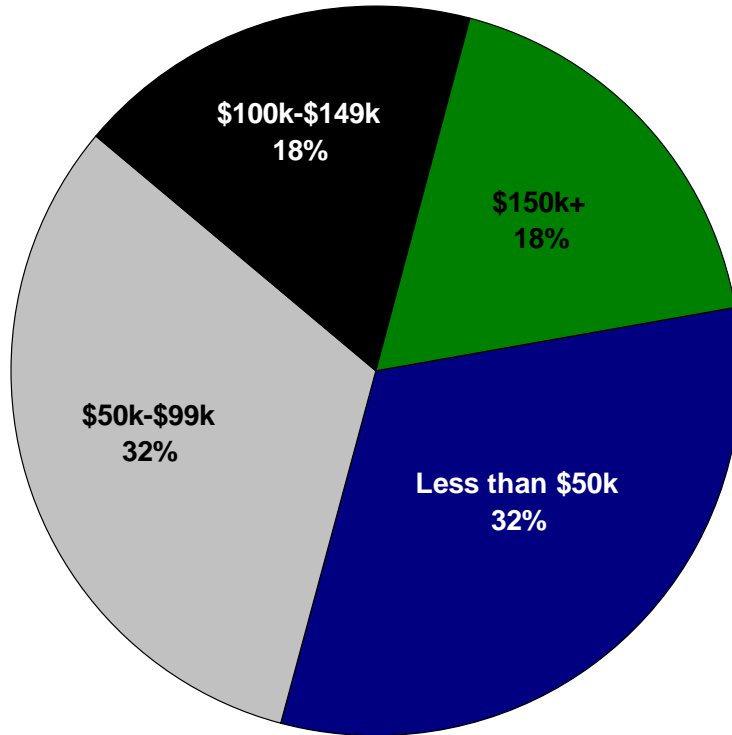


* Through August 2010

Sources: Marcus & Millichap Research Services, BLS



Composition of Consumer Expenditures by Income Group



% of Consumers by Income

<u>Group</u>	<u>% of Total</u>
Less than \$50k	54%
\$50k-\$99k	28%
\$100k-\$149k	11%
\$150k+	7%

Sources: Marcus & Millichap Research Services, BLS 2009 Consumer Expenditure Survey

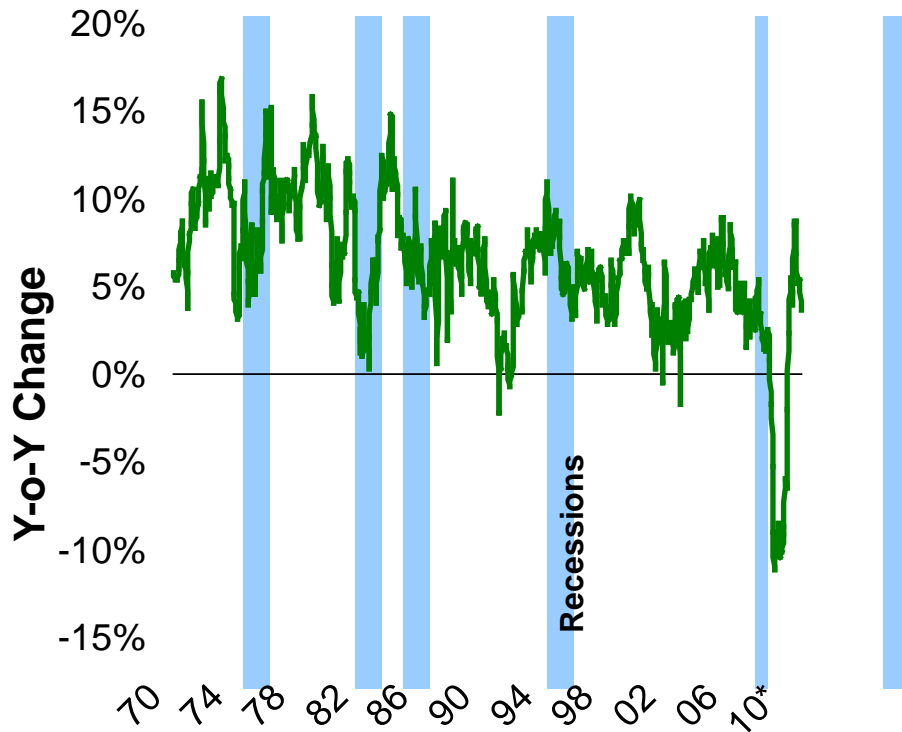


WHATS GOING ON WITH THE RETAILER?

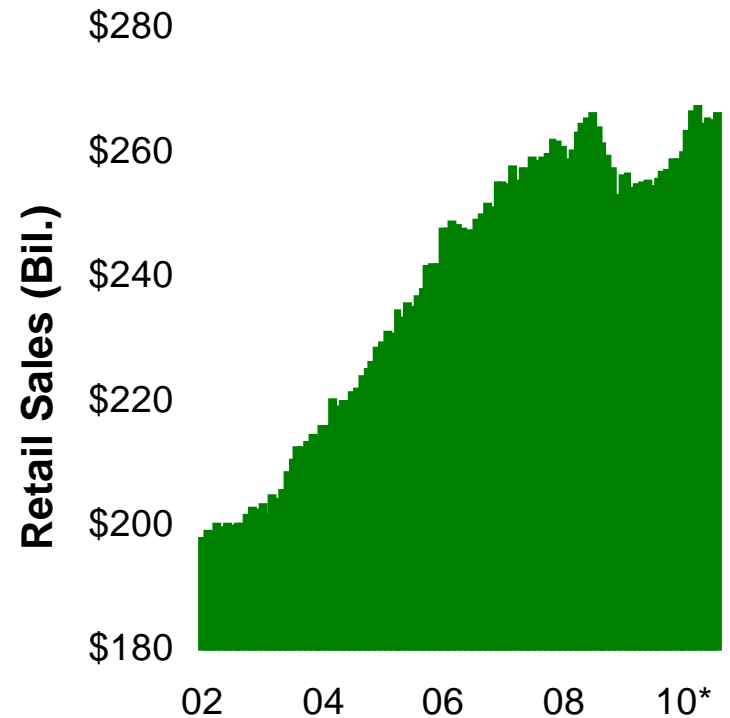


U.S. Retail Sales Have Recovered From Dramatic Drop – Further Growth Hindered

Long-Term Total Retail Sales



Retail Sales Excl. Auto and Gas

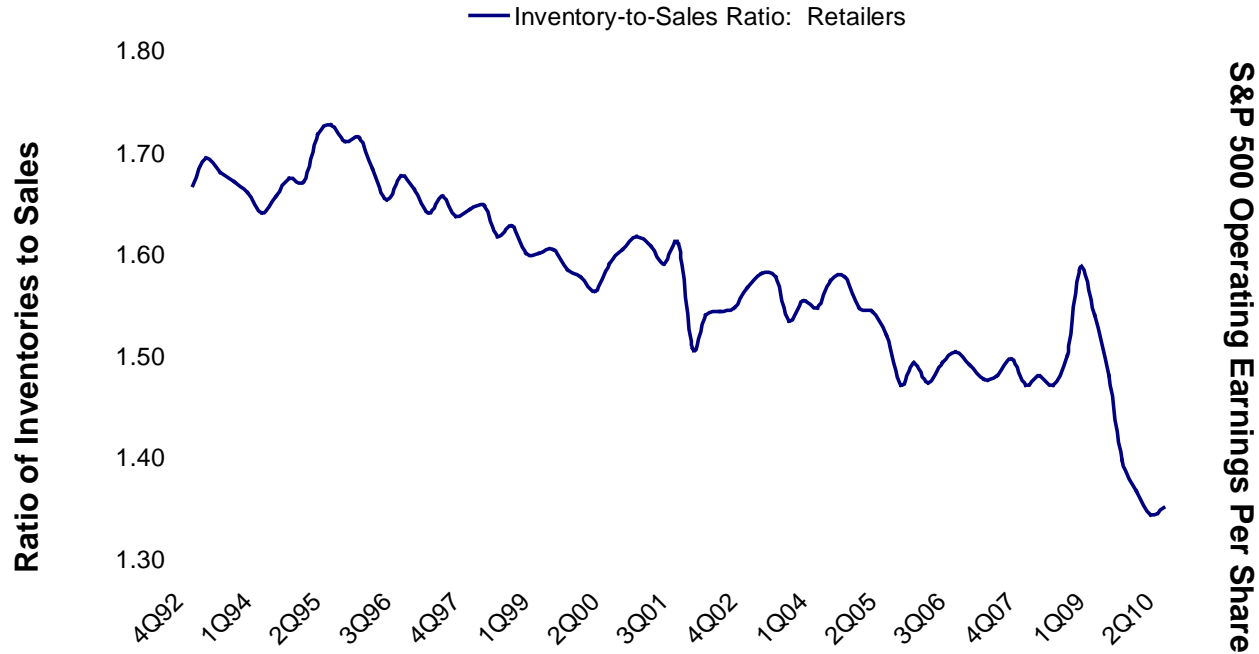


* Through August

Sources: Marcus & Millichap Research Services, U.S. Census Bureau



Corporate Earnings and Retail Operations Improving



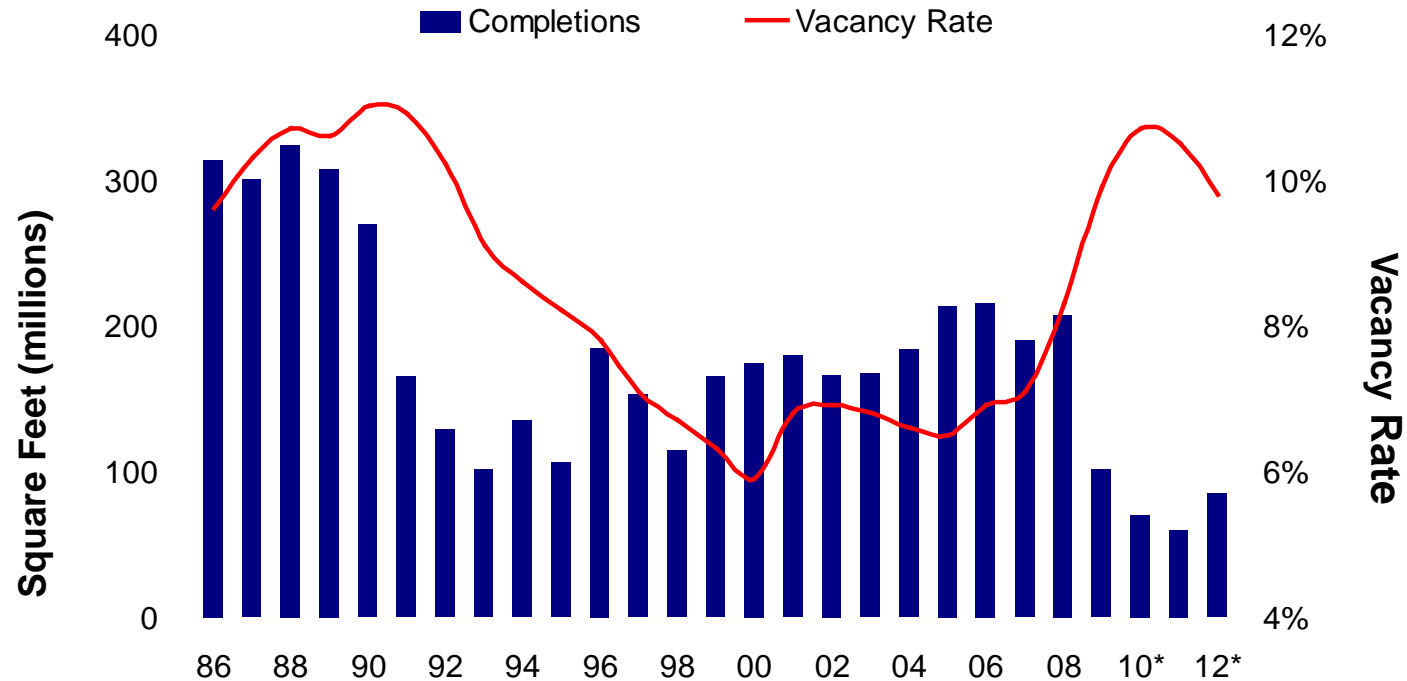
Sources: Marcus & Millichap Research Services, Census Bureau, Standard and Poor's



What does all this mean for the Shopping Center Owner?



Retail Vacancies Beginning to Stabilize; Falling Construction a Major Recovery Driver



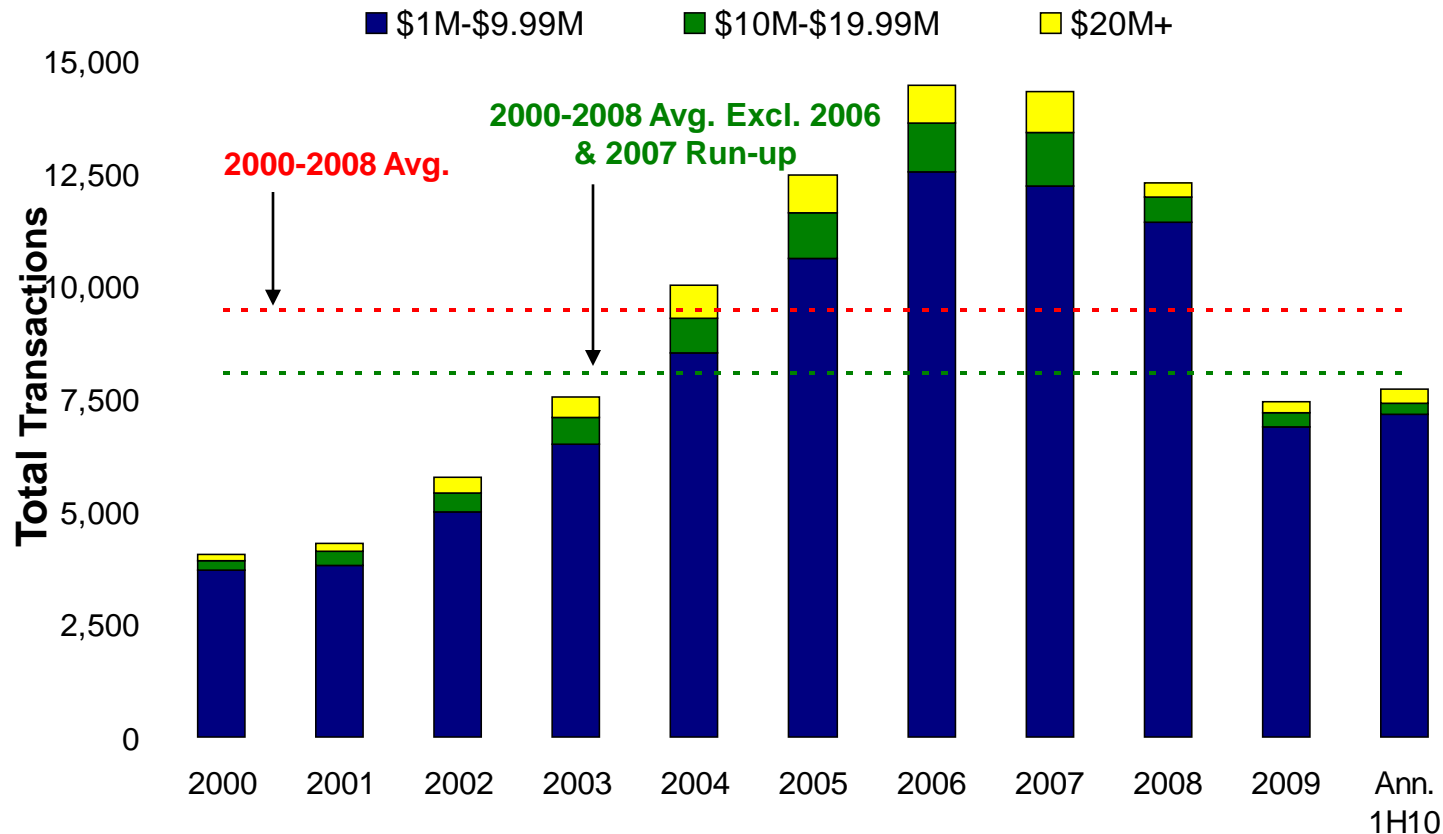
* Forecast

Sources: Marcus & Millichap Research Services, CoStar Group, Inc.



U.S. Retail Property Transaction Trends

Number of Sales Show Strength



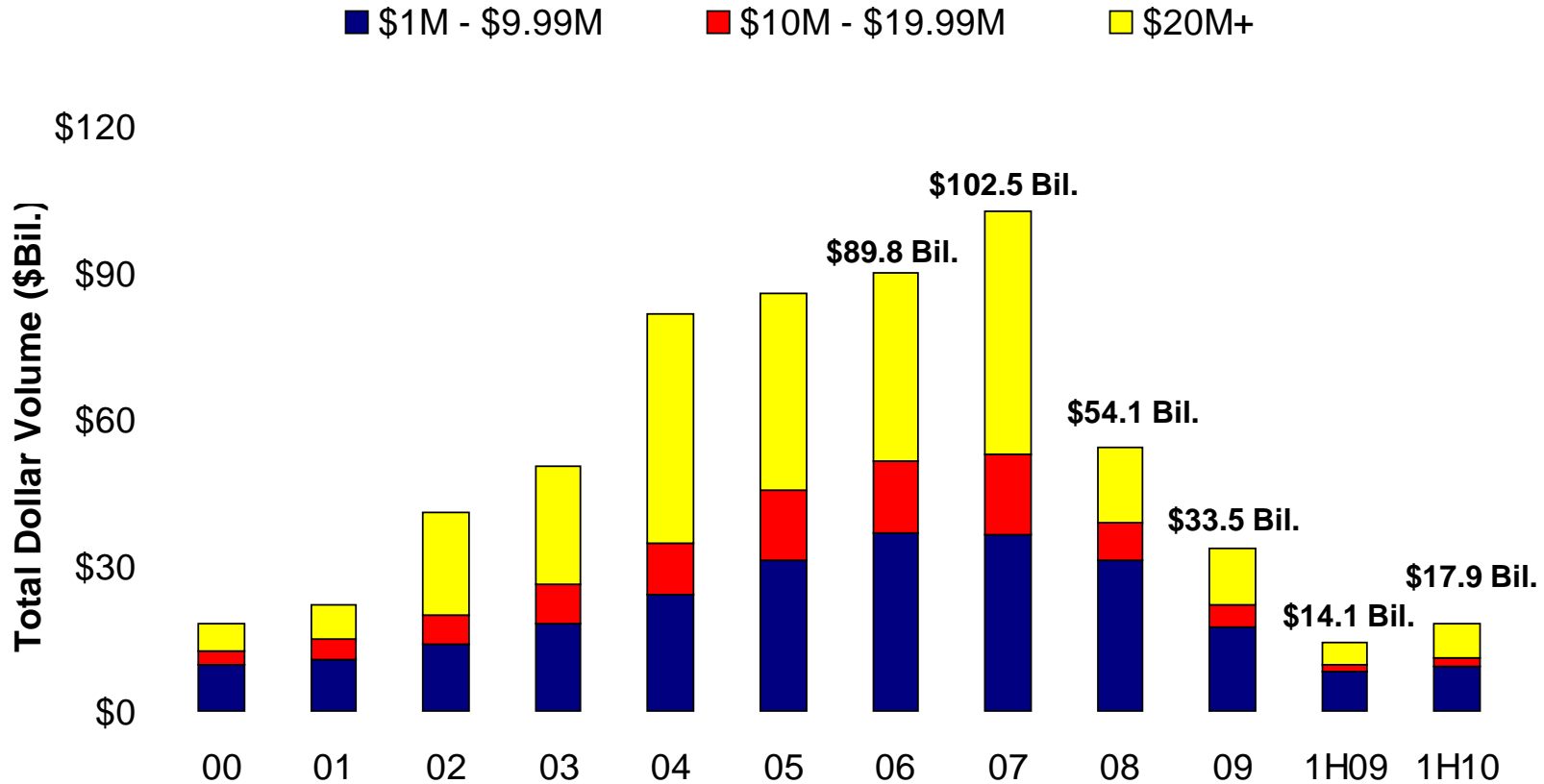
Sales of \$1 million and above

Sources: Marcus & Millichap Research Services, CoStar Group, Inc., Real Capital Analytics



U.S. Retail Property Transaction Trends

Overall Dollar Volume Still Lagging...

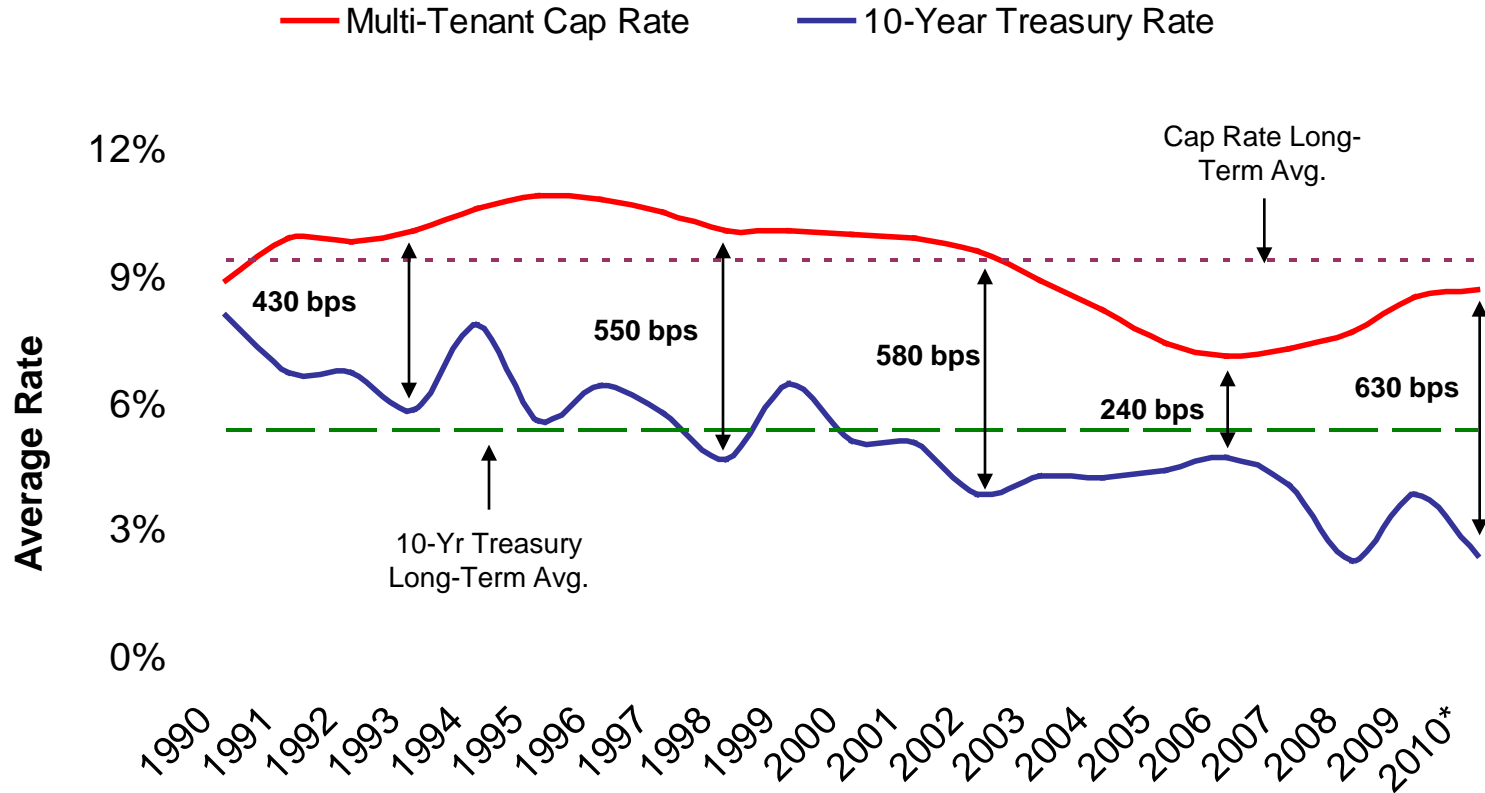


Sources: Marcus & Millichap Research Services, CoStar Group, Inc., Real Capital Analytics



Multi-Tenant Retail Cap Rate Trends

Average Cap Rates vs. 10-Year Treasury



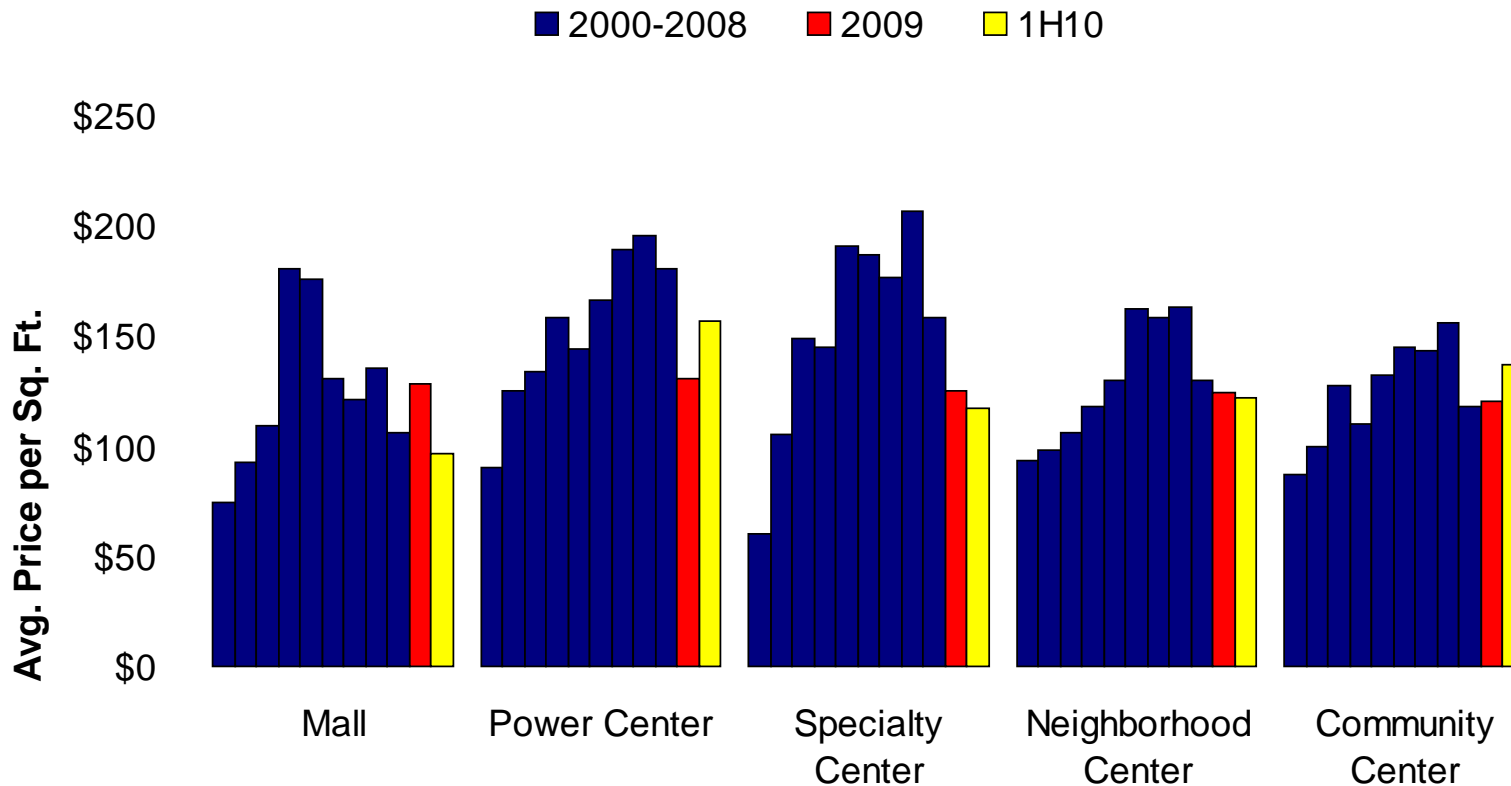
* As of October 6th

Sales \$1,000,000 and above

Sources: Marcus & Millichap Research Services, CoStar Group, Inc., NREI, Real Capital Analytics



Retail Price Trends by Type

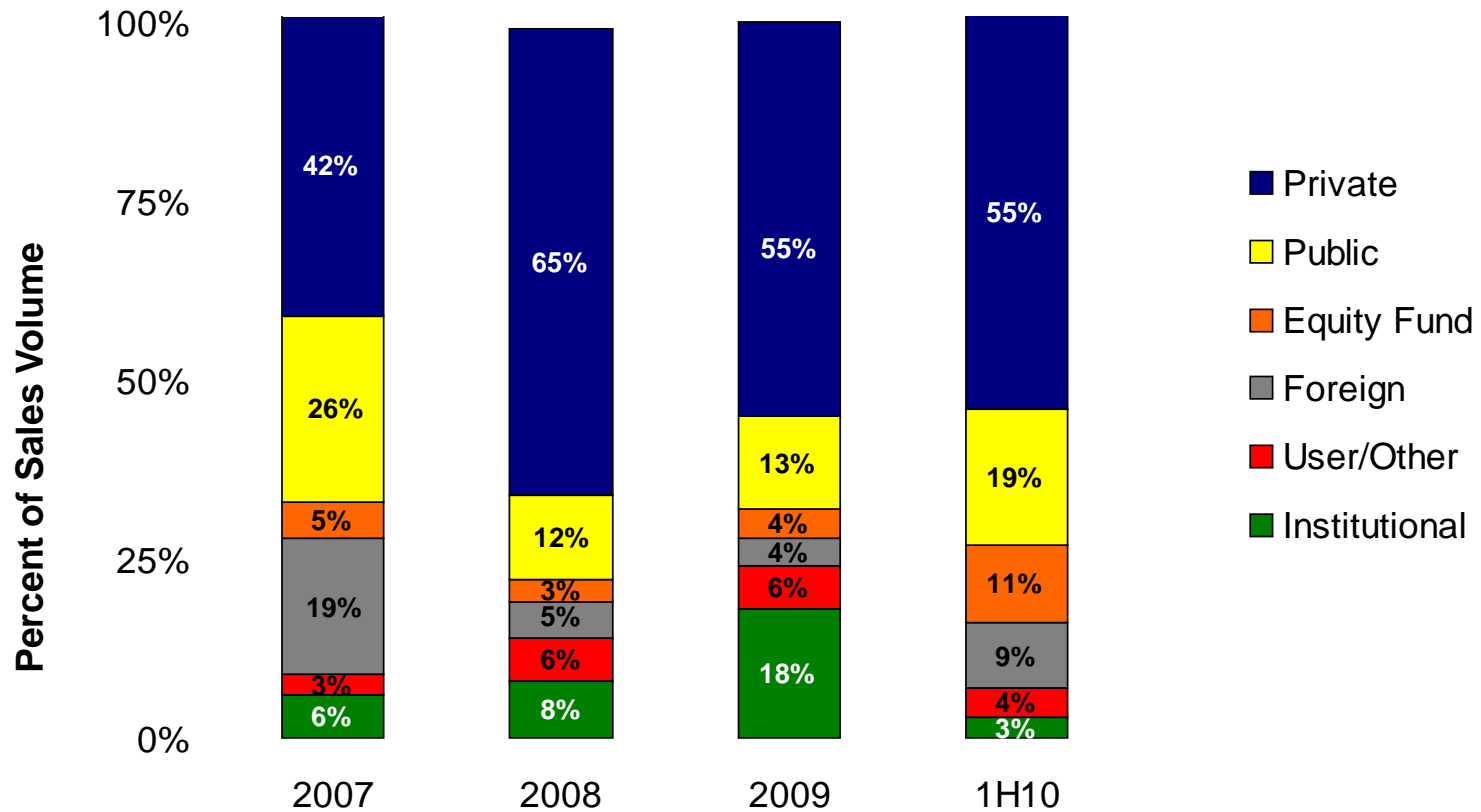


Includes Sales \$1M+

Sources: Marcus & Millichap Research Services, CoStar Group, Inc.



U.S. Retail Buyer Composition

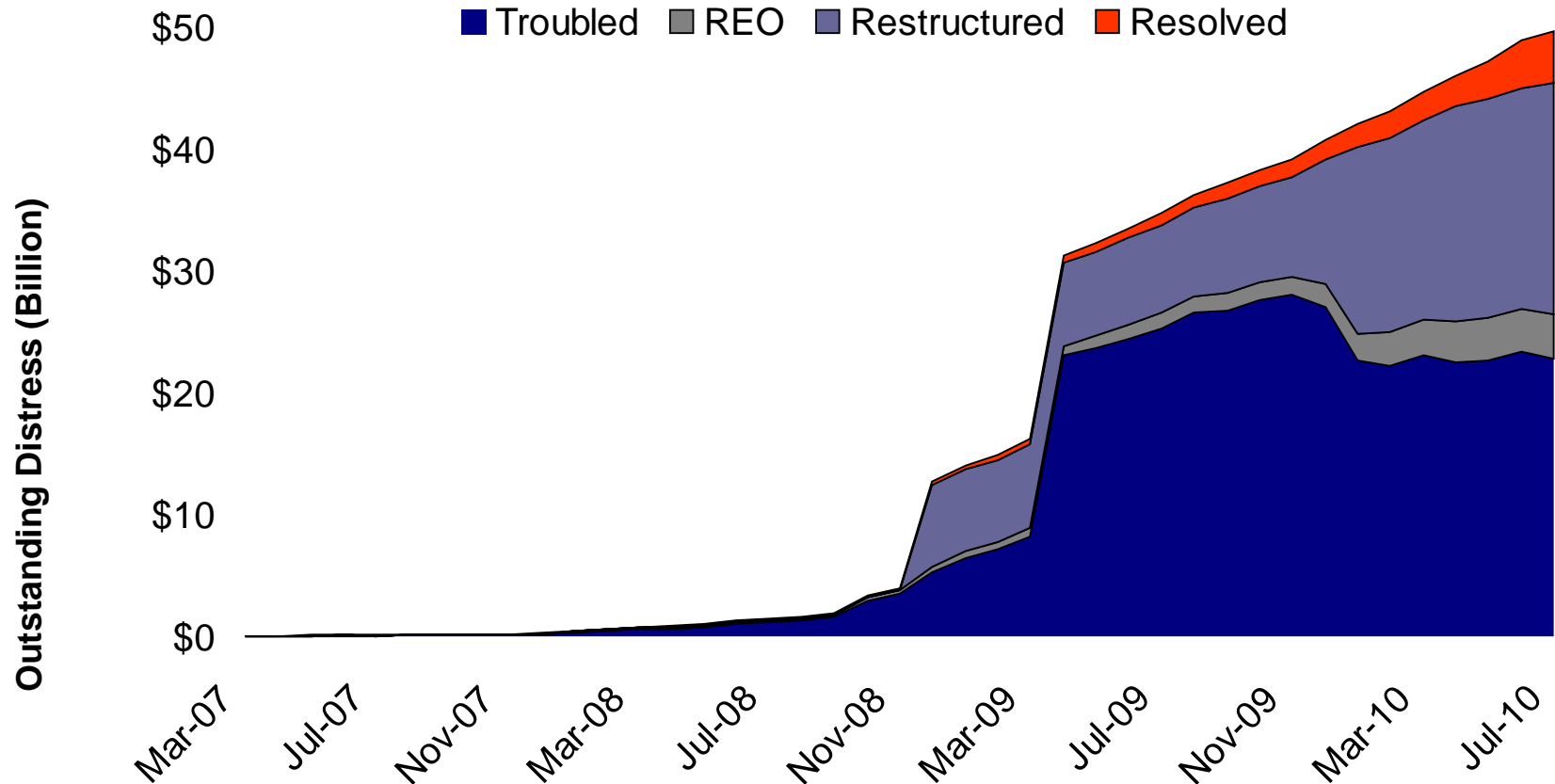


Sales \$5 Million and greater

Sources: Marcus & Millichap Research Services, Real Capital Analytics



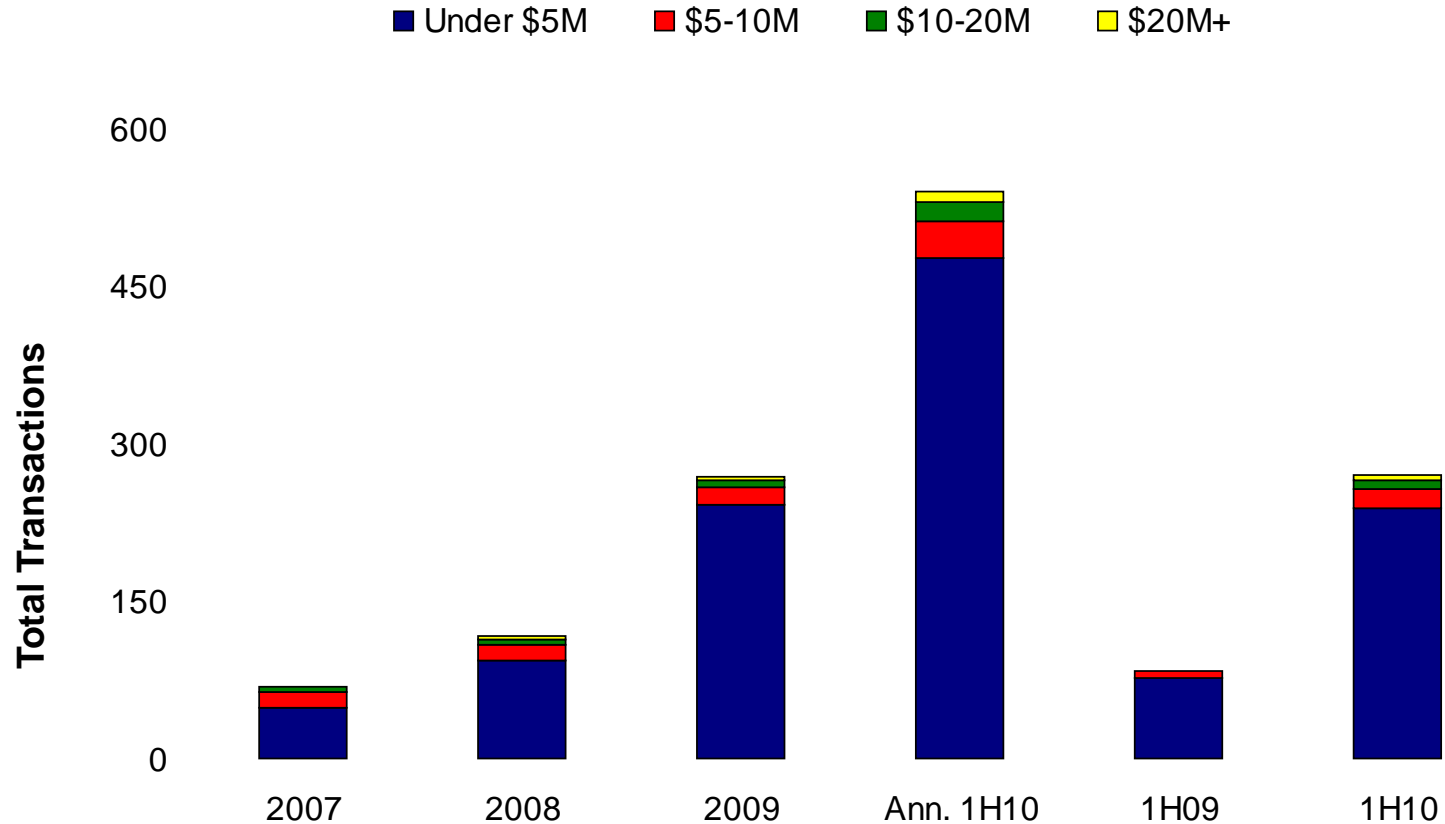
U.S. Distressed Retail Property Trends



Sources: Marcus & Millichap Research Services, Real Capital Analytics



Estimated Distressed U.S. Retail Investment Trends - Sales Velocity



Includes Sales \$500k+

Includes distressed sales, short sales and REO sales

Sources: Marcus & Millichap Research Services, CoStar Group, Inc.



WHAT IS GART PROPERTIES UP TO?



RECENT GART PROPERTIES ACQUISITIONS



DENVER PAVILIONS

\$93,000,000

\$/sf \$266

CAP Rate 7% (on historic rental rates)

Priced well below original construction cost and replacement cost



SADDLE ROCK VILLAGE

\$8,000,000

\$/sf \$82

CAP Rate 8% (on today's market rates)

Priced well below original construction cost and replacement cost



Retail Investment Outlook

1. Occupancies Beginning to Stabilize, Vacancy Should Bottom by Mid-2011
2. Recovery Will be Slow, Choppy Due to Consumer Weakness
3. NOIs Still “Under Attack”–Cautious Tenants, Lower Lease Rates
4. Investors to Remain Selective – Sales to Rise Along with Inventory
5. More Distressed Sales Coming to Market – No Flood
 - Improved Capital Positions Allowing Lenders to Sell More Often
 - Note Sales, Auction Volumes Rising – Quality Still Mixed
6. Cap Rate Divergence to Continue–Infill, Anchored, Credit Dominating
7. Multi-tenant Investments in Right Location Offer Substantial Up-Side

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