

**C 3 Q U A R T E R L Y**

OCTOBER - DECEMBER 2007

**MARKET INDICATORS**

**C3 2007 Year End US Economy Snapshot**

**TEAM C3:**

- C3 is a Privately Held, Full Service Commercial Real Estate Firm
- C3 Specializes in Tenant Representation, Third Party Agency and Commercial Real Estate Investment

**For Any Questions,  
Please Contact:**

**Natasha Felten,  
President**

**Matthew Ball,  
Associate Broker**

**William Moss,  
Marketing Assistant**



The 2008 US economic outlook appears to be unsettled. Several leading indicators have fluctuated as a depressed housing market continues to exert drag on the system through increased property foreclosures, more restricted access to capital and excess manufacturing capacity. Leading economists are discussing whether a recession may be on the horizon.

**Business Capital Spending**

Company spending on capital goods—those items with a useful life in excess of a year, which supposedly increase the value of company assets and productivity—decreased in 2007. According to Fed Chairman Ben Bernanke, the “magnitude of the decrease has been greater than would be expected, given the normal evolution of the business cycle.” This softening extends across industry categories.

**Exports/Trade**

US exports increased by 12.3% over 2006 totals, for a total of approximately \$1.42B. Despite this increase in exports, the US Trade Deficit climbed to \$63.1B (the highest total in 14 months), which was largely attributable to increased oil prices and the weakened dollar abroad. The double whammy of an increased trade deficit and a sustained budget deficit are traditionally offset through consumer spending and foreign US investment. Given the lack of spending by these two contributors, federal monetary policy and General Election of 2008 become critical to the future economic health of the nation.

**Consumer Spending**

The retail sales report from December signaled that US consumers reduced their spending by .4% during fourth quarter, an indication that consumers may be feeling the pressure of higher energy prices, decreased home values and a softening labor market.

**Unemployment**

US Unemployment hit 5% in December, the highest it has been in two years. Further softening in the job market is expected.

**Interest Rates**

The Federal Funds rate at the end of 4Q `07 is currently 4.25%. Some analysts predict that the Fed may slash interest rates by up to 75 basis points at its end of January meeting; lowering the rate to 3.5%. Such a rate cut would be a clear attempt to stimulate spending to contradict the continuation of the 4Q slowdown into 2008.

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Colorado Commercial Companies

8101 East Prentice Avenue, Greenwood Village, CO 80111

• 303.327.5800 telephone

• 303.327.5801 facsimile

• www.colocomm.com

Information and statistics contained within this narrative have been assembled from sources believed to be reliable. Sources include BusinessWeek Magazine, Bureau of Labor Statistics, CoStar Group Inc., the Reis, Inc. and the US Census Bureau.

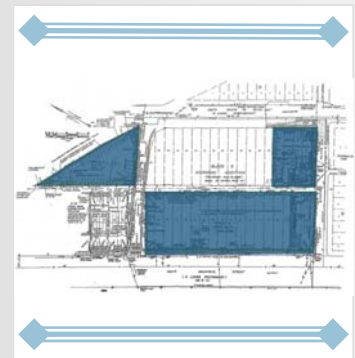
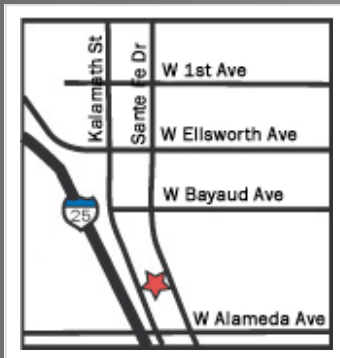
Colorado's Commercial Real Estate Snapshot: YE 2007

The Colorado commercial real estate market has posted significant activity in leasing and sales over the past year. The top sales transaction of 2007 was the sale of five properties downtown from Blackstone Group to Callahan Capital Partners for \$770M. Top Leasing transactions for the year included three +200,000SF office leases: Encana 210,492RSF, The EPA 261,309RSF, and DirectTV 216,459RSF; and two +300,000SF industrial leases; Echosphere 307,855SF and Staples 300,300SF.

As weaker 4Q economic data posts nationwide and tighter lending practices reduce investor profits, sales activity is slowing. Leasing activity for 2008 will depend on the number of jobs maintained and attracted to the area. Colorado's commercial market has proven resilient, as the state continues to attract new companies and employees, due to the area's quality of life, its highly educated workforce and the government's dedication to expanding transportation and public works infrastructure. Historic vacancy and rent numbers are shown for each commercial real estate sector below. C3 forecasts flat to slight improvement for each sector during calendar year 2008.

Vacancy Rates/Average Rents				
Year/(Quarter)	Office	Industrial	Multi-Family	Retail
2006 (Q4)	11.1% \$23.40/RSF	8.5% \$5.98/SF	5.8% \$983/unit	6.6% \$16.65/SF
2007 (Q4)	11.2% \$24.86/RSF	8.4% \$6.01/SF	5.6% \$1,026/unit	6.6% \$17.61/SF

**Heavenly Daze Brewery**  
200-208 South Kalamath Street



**Rare Infill Site;**  
**5 Minutes to the Downtown**

**Unparalleled Visibility & Access**

**1.99 Acre Site**

200-208 Kalamath Street provides a unique infill site for an owner/user or developer looking for a prominent site in Denver's popular central industrial submarket. The area currently posts 4.3% vacancy and average industrial lease rates of \$5.48-8.37/SF NNN. This submarket is characterized by second generation buildings with smaller available spaces. This larger site with room for value added improvements provides a rare acquisition opportunity. Features of the property include:

- **Total Space Available: 57,960 SF**
  - Office Area +/-8,500 SF
  - Warehouse/Showroom +/- 28,000 SF
  - Restaurant/Brewery +/- 20,000 SF
  - House +/- 1,006 SF
- **Land Area: 1.99 Acres (+/-86,593 SF)**
- **Year of Construction:**
  - Industrial 1963; Renovation in 1998
  - House 1896
- **Loading: 2 Docks; 1 Overhead Door**
- **Ceiling Height: +/- 8'-20'**
- **Zoning: I-1**
- **Denver Enterprise Zone**
- **Fenced Lot Adjacent to Primary Site**
- **FF&E Available for Restaurant/Brewery Operation**

For additional information on this unique opportunity, the Denver Enterprise Zone and alternative uses per Zoning Code, please visit [www.colocomm.com/listings/208kalamath/forsale.shtml](http://www.colocomm.com/listings/208kalamath/forsale.shtml).

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