

Real Estate Rendezvous 2011

“Reading the mind of the market”

Results from the Northern Colorado Commercial Real Estate 2011 Survey

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Primary findings

Good news – bad news.

The good news is that survey respondents expect 2011 to generally be about the same as 2010 for the commercial real estate market in Northern Colorado with selected rays of hope for selected property sectors. The good news is that the mind of the market indicates a 'bottom' for the commercial real estate market in Northern Colorado. The good news is that there are bright spots in leasing and sales transactions and value growth possibilities for multifamily, student housing, and seniors housing. The bad news is the last year was hard.

Yes there is clear optimism in respondents' outlook while acknowledging global, national, and regional economic and financial challenges. Private equity sources once again are expected to dominate in the region in 2011, with financing for land and construction loans extremely challenging. Survey results show that the I-25 and Highway 34 interchange offers the best opportunities for development over the next five years, and 'negative impact' is the overwhelming choice for the 100 year flood plain proposal.

'About the same, but slightly better' is our mantra for 2011. Given the lack of sustainable economic growth in our region and lack of empirical evidence of job creation in Northern Colorado, perhaps 'about the same, but slightly better' is healthier than '...it's going to get worse' in 2011.

We appreciate the 131 respondents who completed this year's survey. Thank you for giving us the opportunity to once again *read the mind of the market* and disseminate the results.

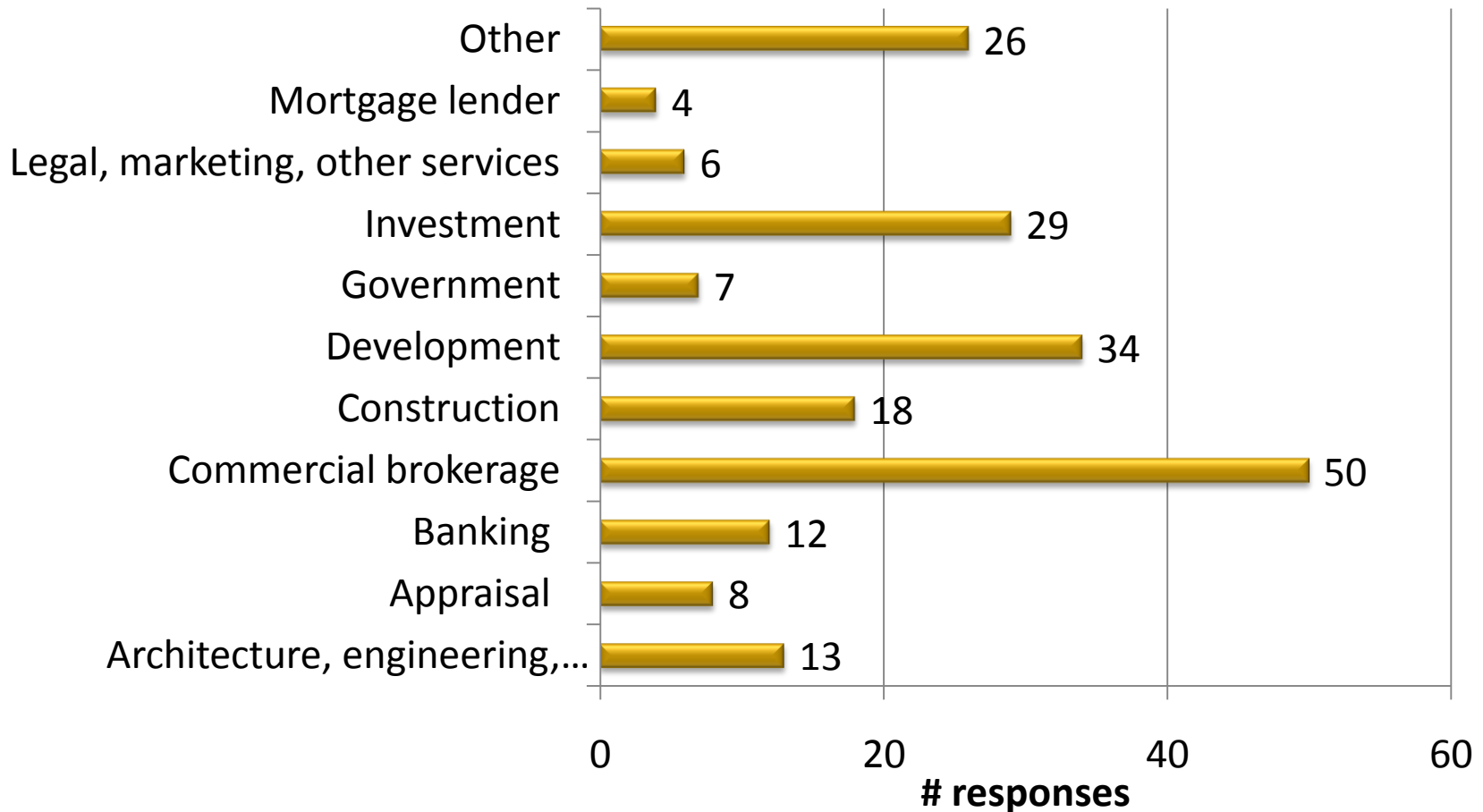
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Brokerage and development sectors dominate

Similar to last year's distribution

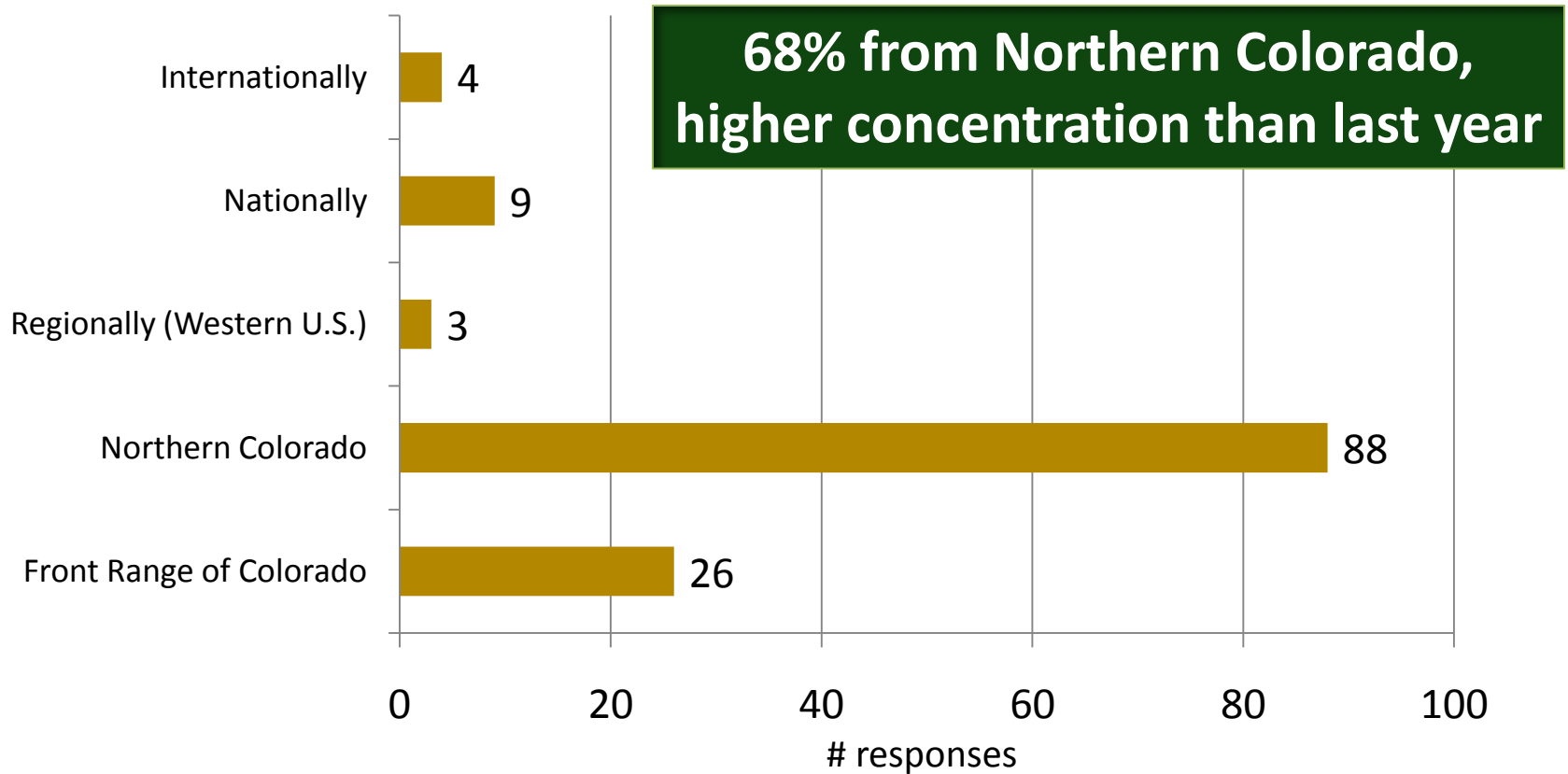
I am engaged in all the following activities (choose as many as needed)



Source: Everitt Real Estate Center, Colorado State University, Northern Colorado Commercial Real Estate 2011 Survey

Healthy Northern Colorado representation

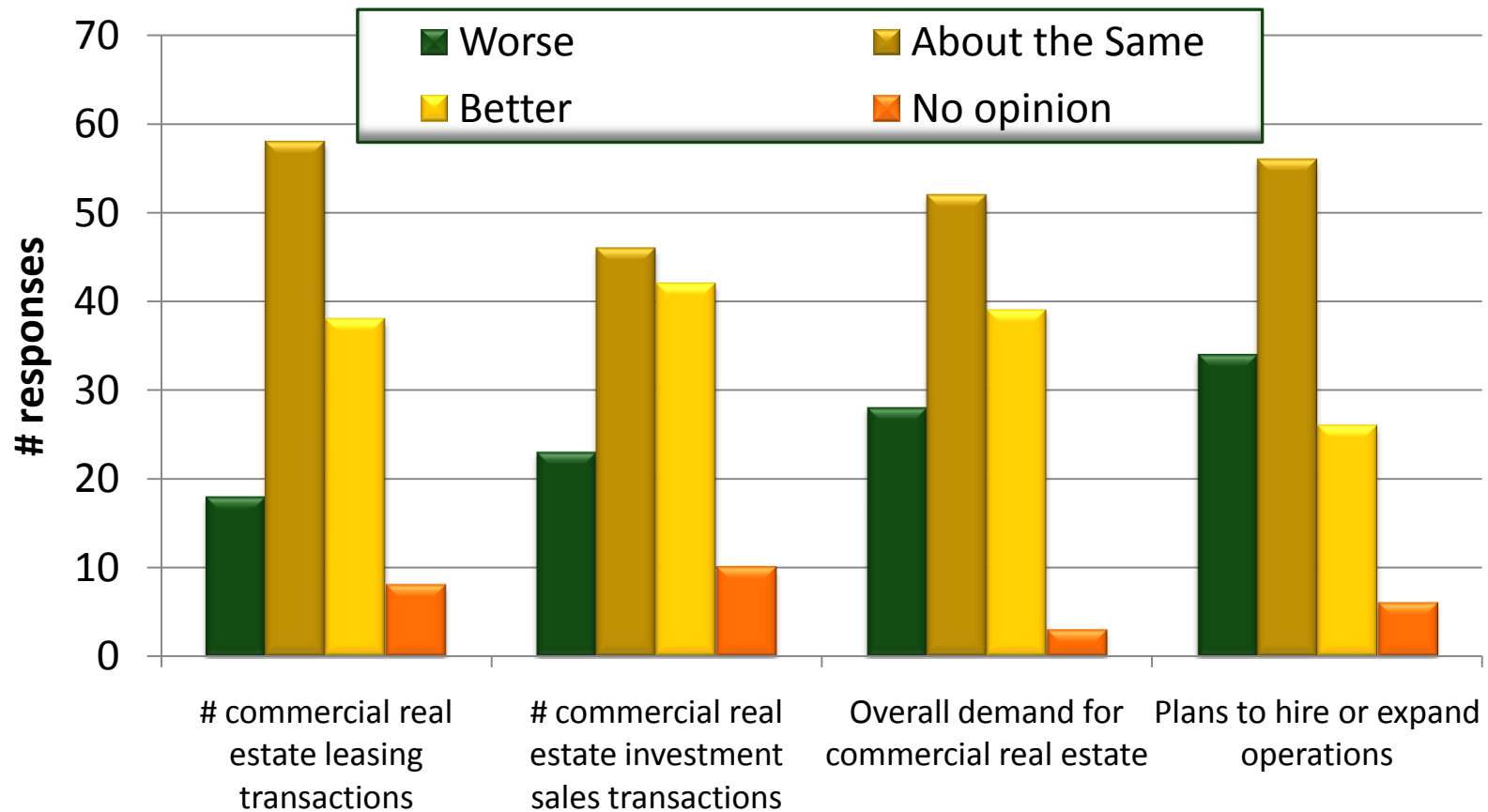
My firm primarily works in the following geographical areas (choose one)



Source: Everitt Real Estate Center, Colorado State University, Northern Colorado Commercial Real Estate 2011 Survey

'About the same' consistent theme, *But 'better' response higher percentage than 2010*

Compared to 2010, how do you anticipate changes in 2011 for the following:

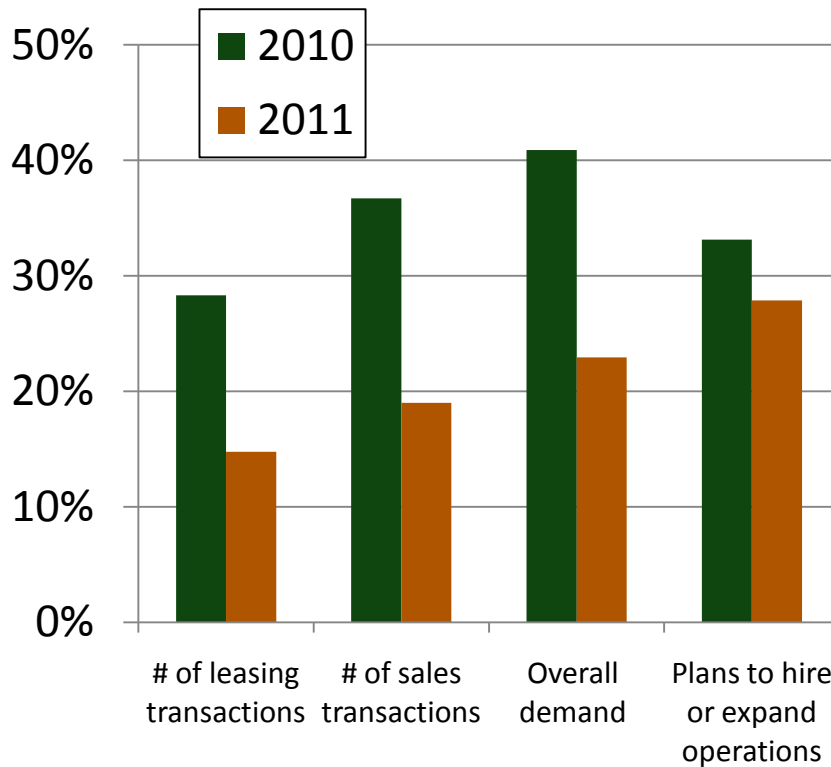


Source: Everitt Real Estate Center, Colorado State University, Northern Colorado Commercial Real Estate 2011 Survey

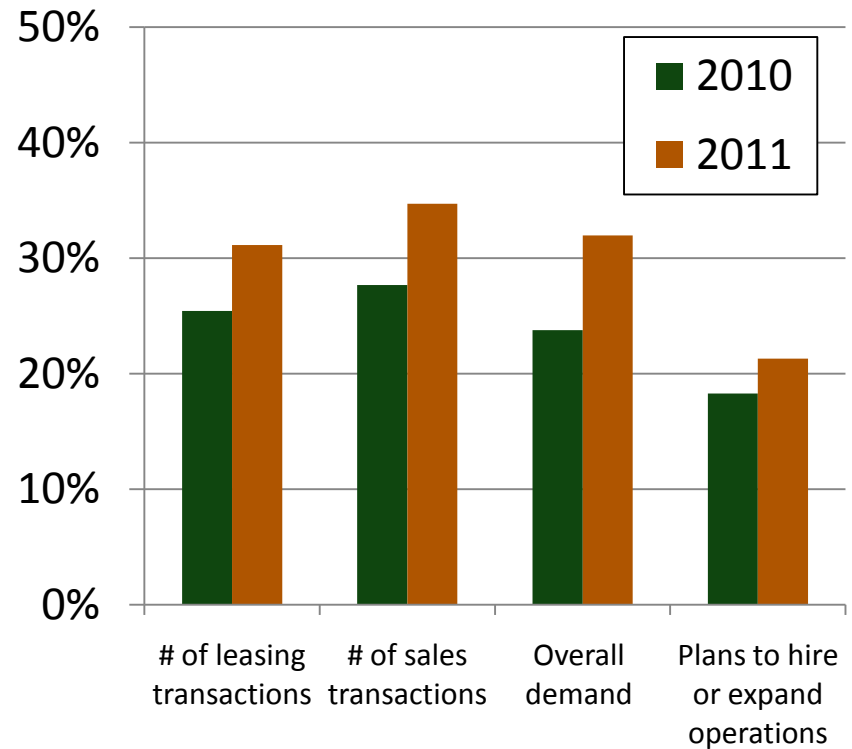
Optimism exists – 2010 vs. 2011 results

How do you anticipate changes for the next year...

% answering 'Worse'



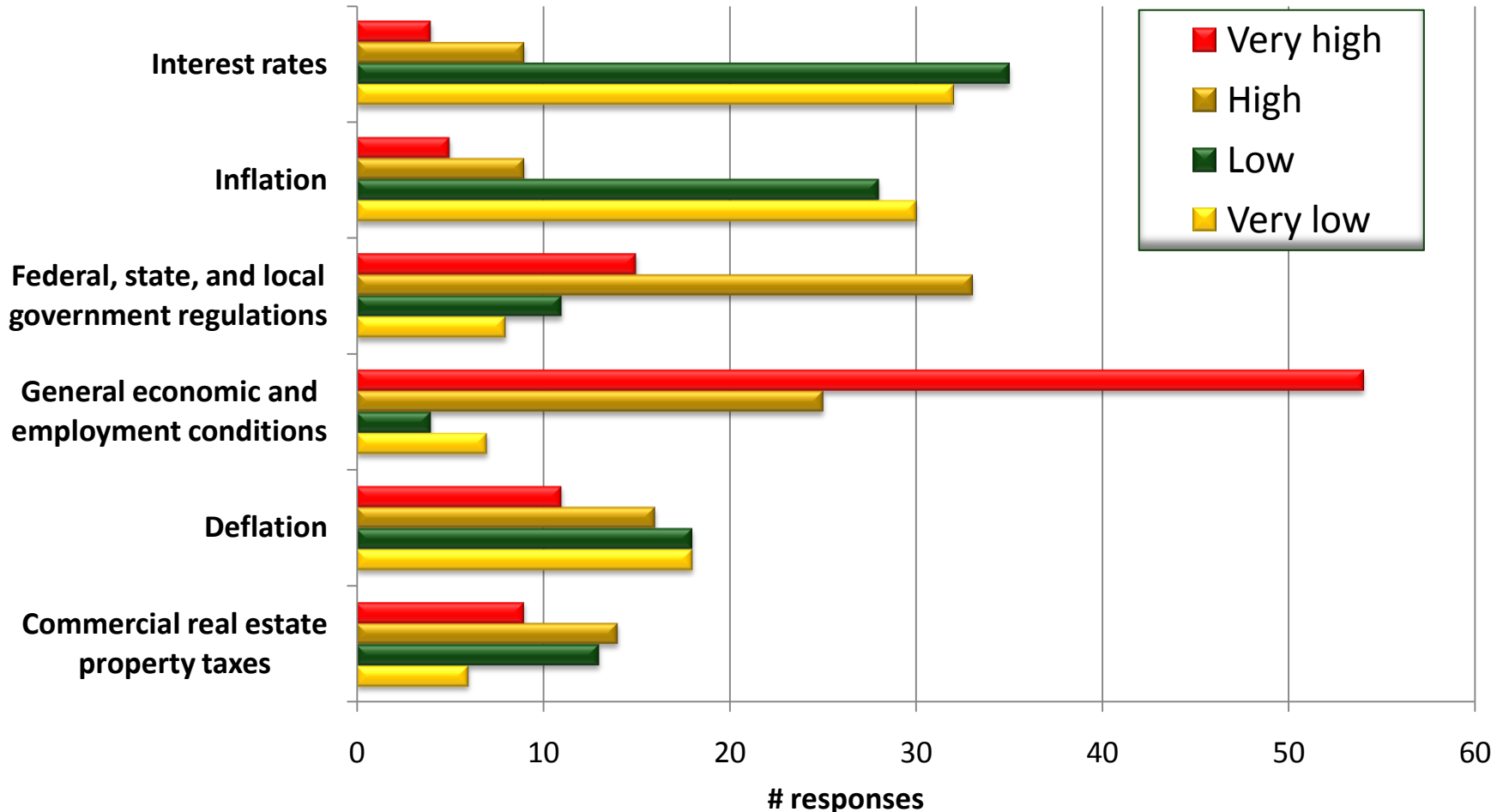
% answering 'Better'



Source: Everitt Real Estate Center, Colorado State University, Northern Colorado Commercial Real Estate 2010 and 2011 Survey

Economic and regulatory risks high in 2011

Rank the following issues in order of risk for Northern Colorado commercial real estate performance in 2011

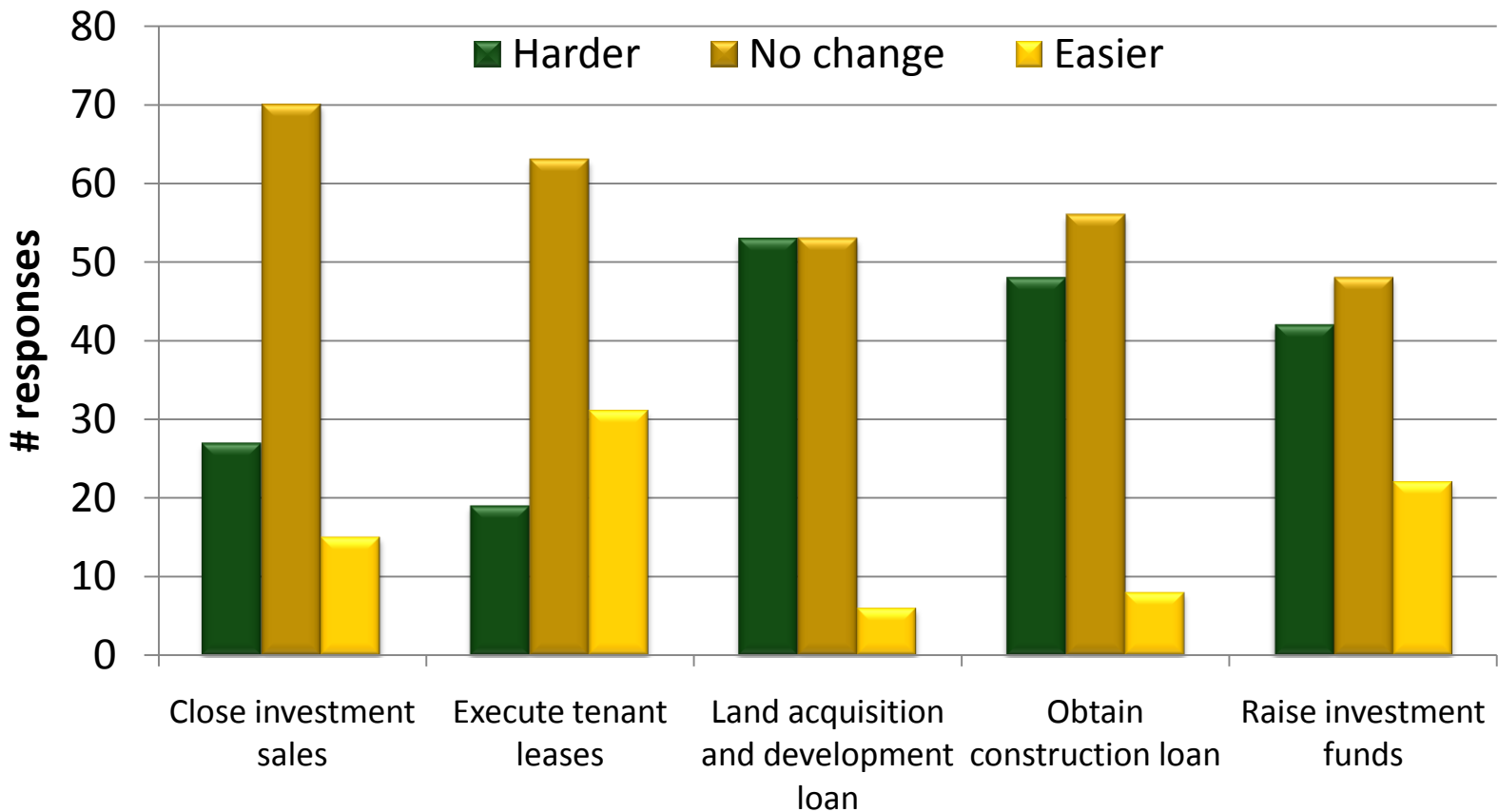


Source: Everitt Real Estate Center, Colorado State University, Northern Colorado Commercial Real Estate 2011 Survey

Still tough for land and construction loans

While 'about the same' for sales and leasing

In 2011, will it be harder, easier, or not much change compared to 2010 for Northern Colorado commercial real estate for the following:

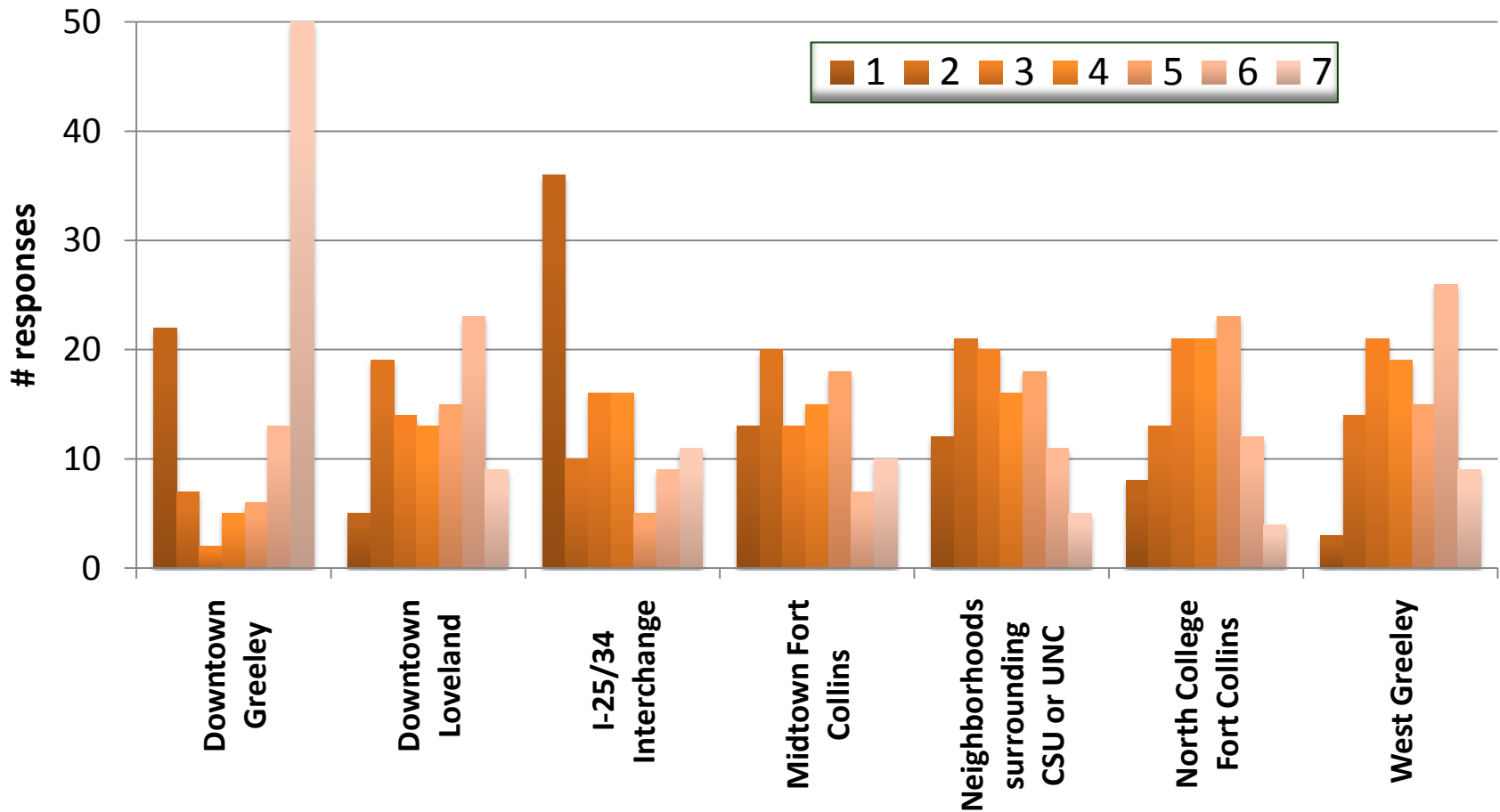


Source: Everitt Real Estate Center, Colorado State University, Northern Colorado Commercial Real Estate 2011 Survey

I-25/34 outranks other locations in the region

Other areas show mixed distributions

Rank the following locations in terms of successful redevelopment potential over the next five years (1=highest potential, 7=lowest potential)



Source: Everitt Real Estate Center, Colorado State University, Northern Colorado Commercial Real Estate 2011 Survey

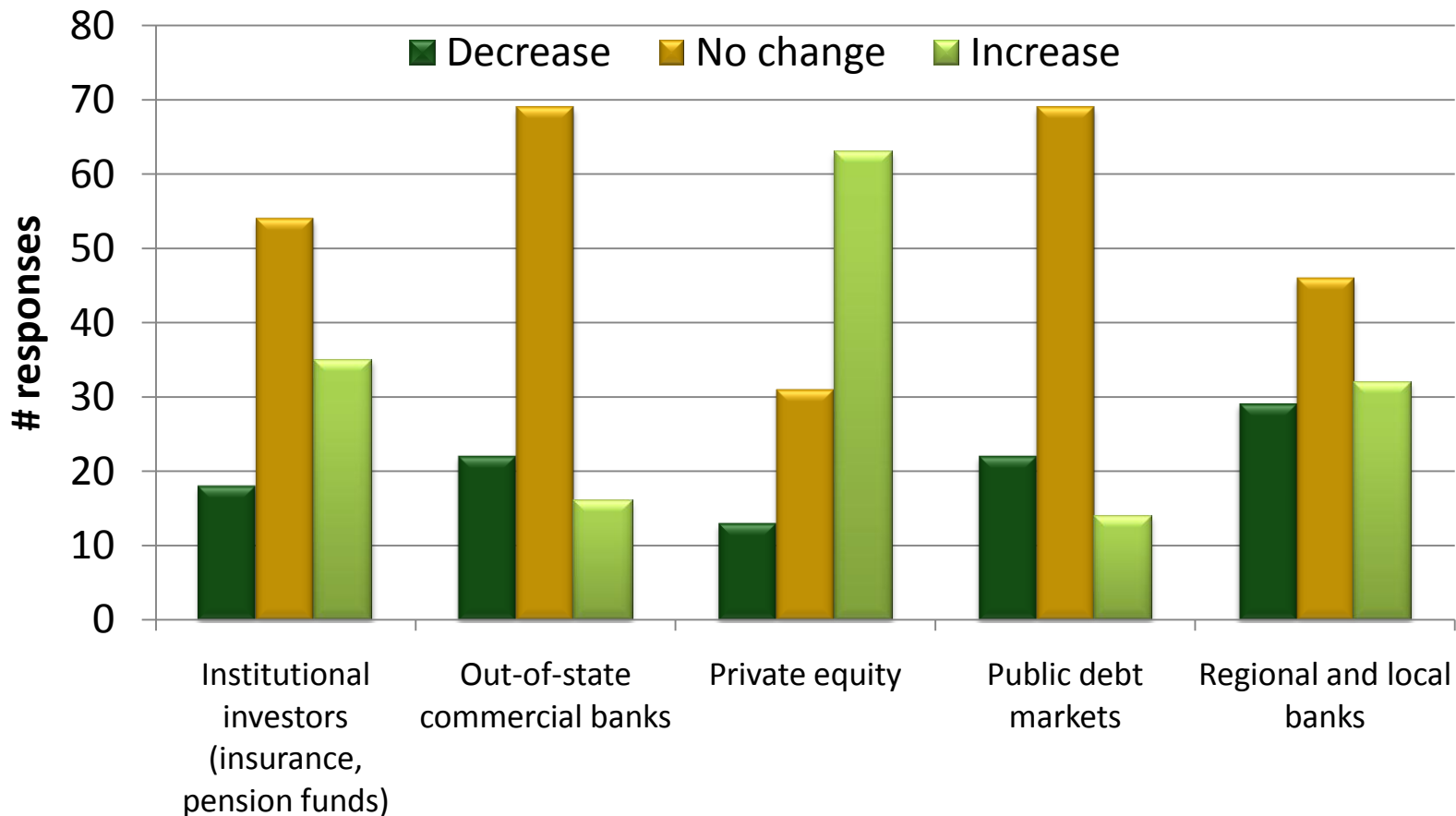
Development potential opportunities

Location	Score	Ranking
I-25/34 Interchange	3.15	1
Neighborhoods surrounding CSU or UNC	3.58	2
Midtown Fort Collins	3.69	3
North College Fort Collins	3.88	4
Downtown Loveland	4.21	5
West Greeley	4.34	6
Downtown Greeley	4.95	7

Source: Everitt Real Estate Center, Colorado State University, Northern Colorado Commercial Real Estate 2011 Survey
Note – lower mean score equates to higher ranking.

Private equity remains targeted source of capital

How will capital availability for Northern Colorado commercial real estate properties change in 2011 from the following sources:

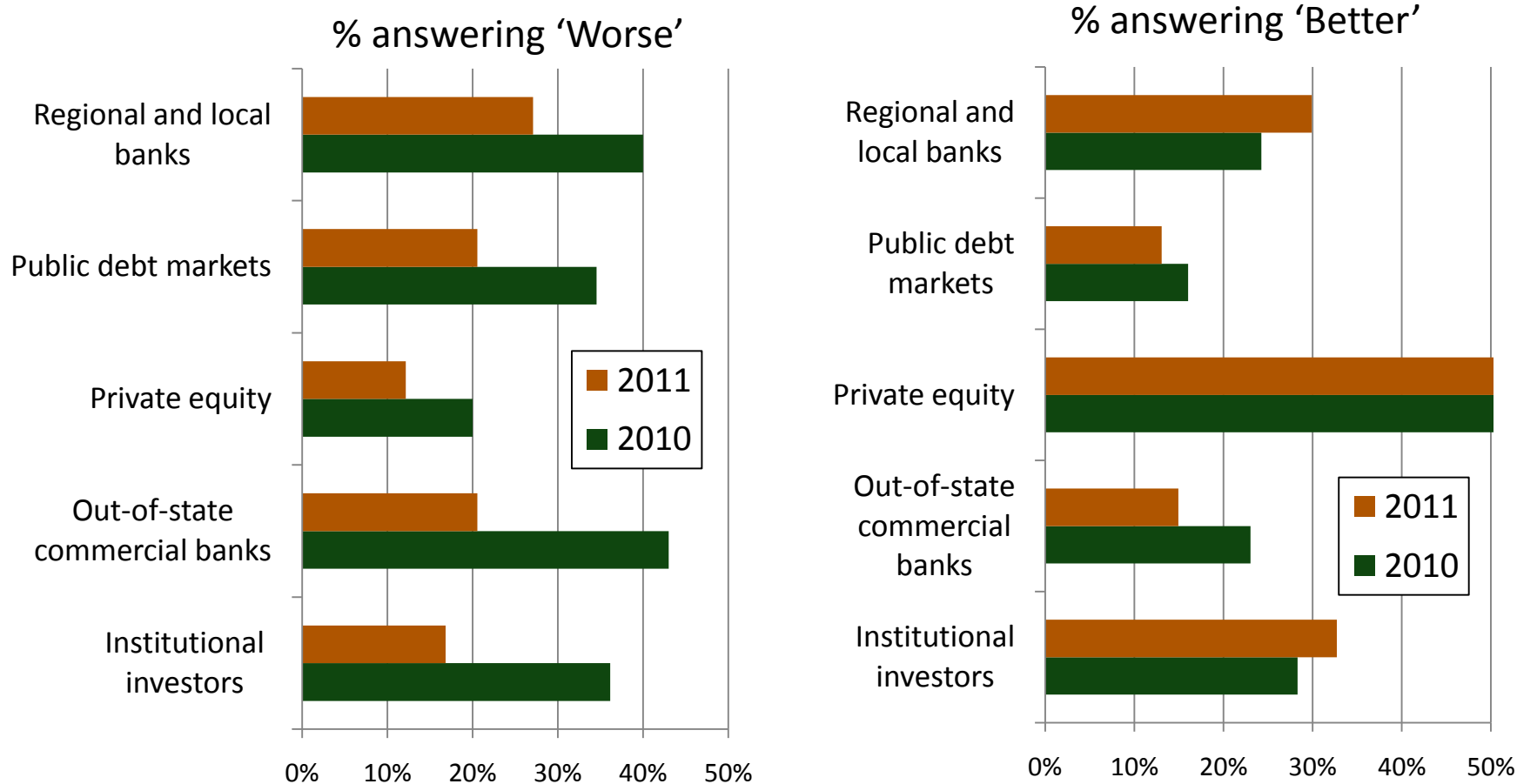


Source: Everitt Real Estate Center, Colorado State University, Northern Colorado Commercial Real Estate 2011 Survey

Yet, institutional and regional banks

Slightly higher potential sources in 2011 than 2010

How will capital availability for Northern Colorado commercial real estate properties change in 2011 from the following sources:

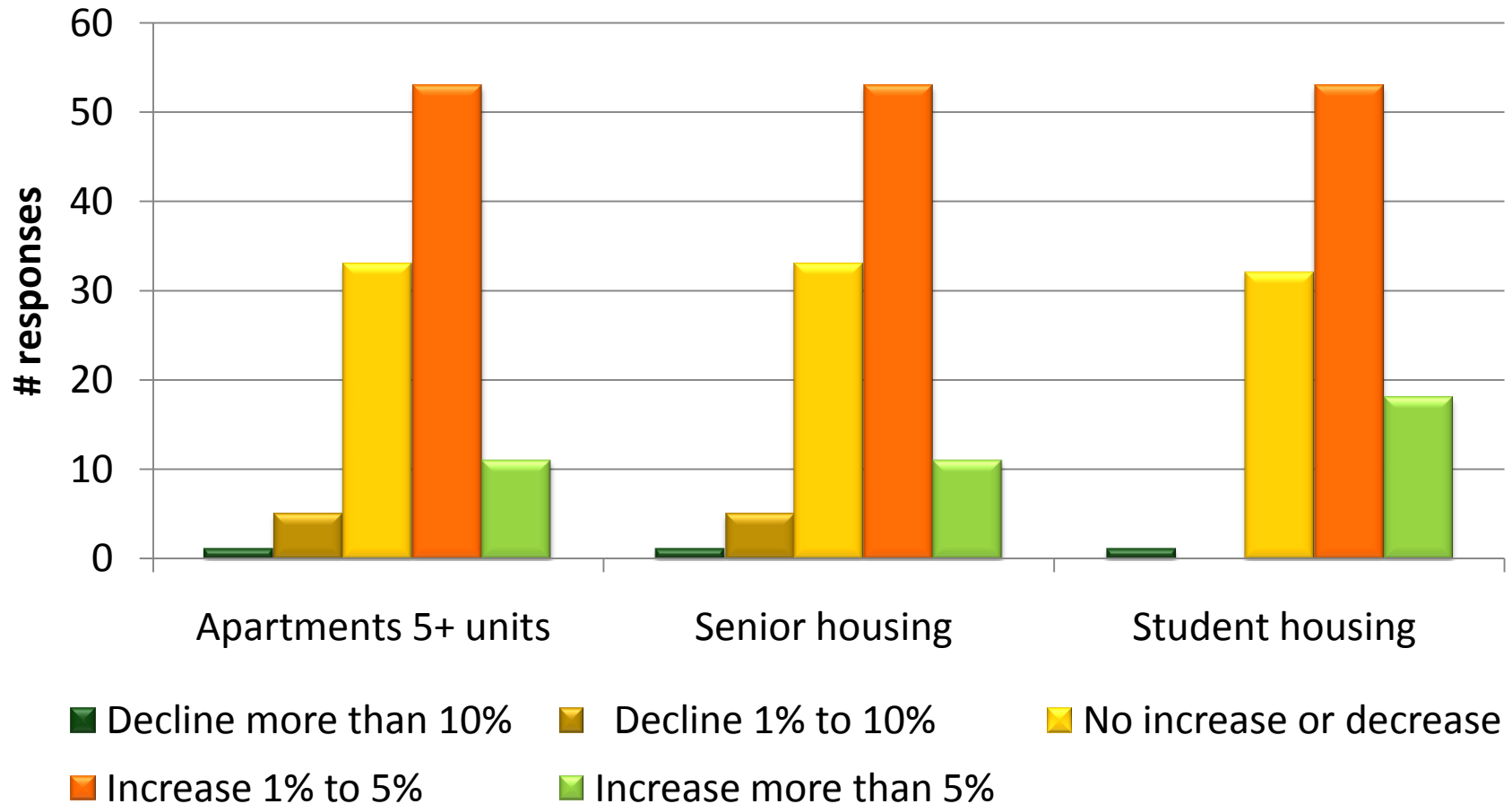


Source: Everitt Real Estate Center, Colorado State University, Northern Colorado Commercial Real Estate 2010 and 2011 Survey

Value growth concentrated in residential sector

No change from 2010 results

How much will commercial real estate values appreciate in Northern Colorado in 2011 for the following property types:

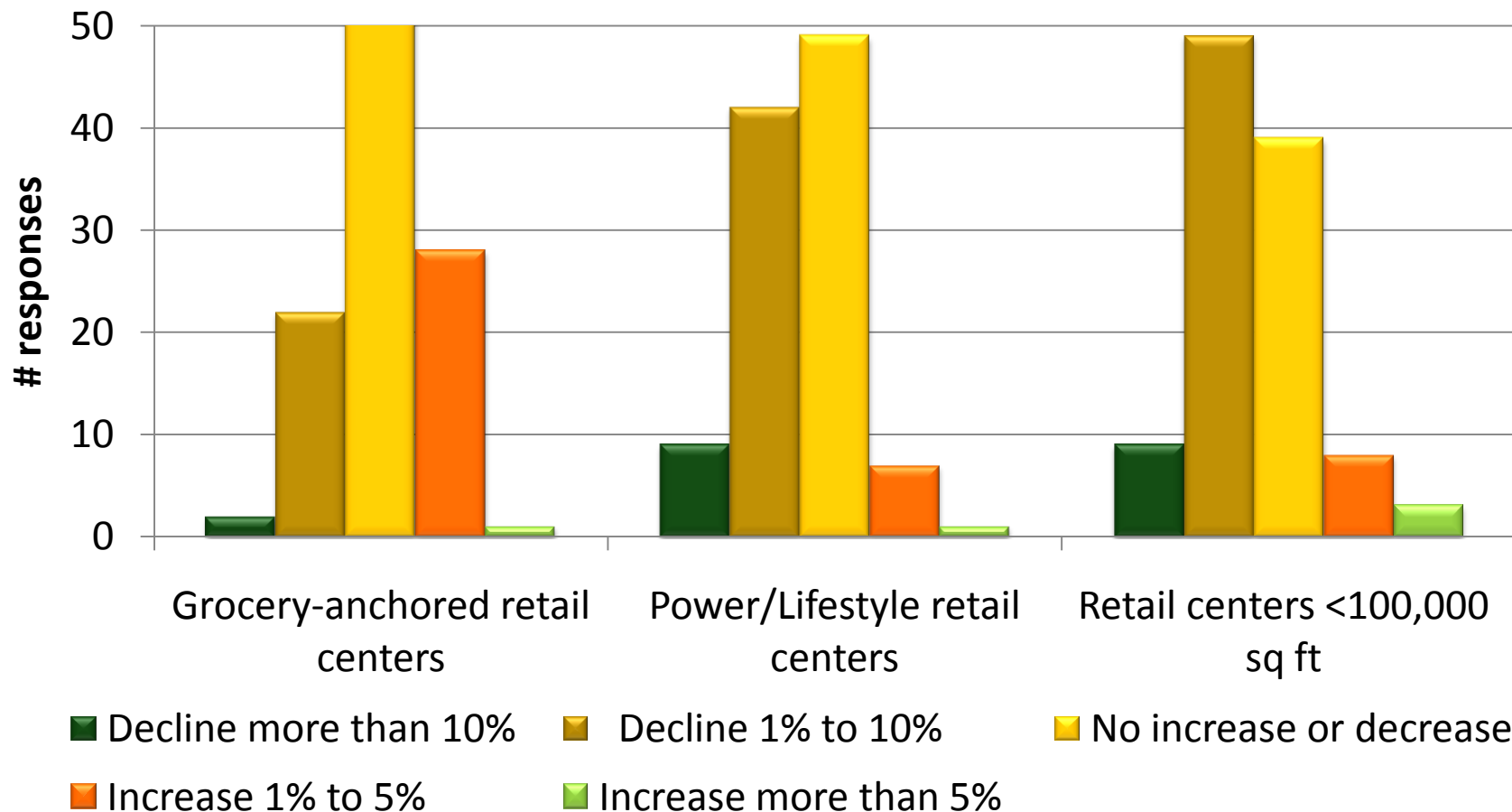


Source: Everitt Real Estate Center, Colorado State University, Northern Colorado Commercial Real Estate 2011 Survey

Retail sector attempting to balance in the middle

Values neither increase or decrease

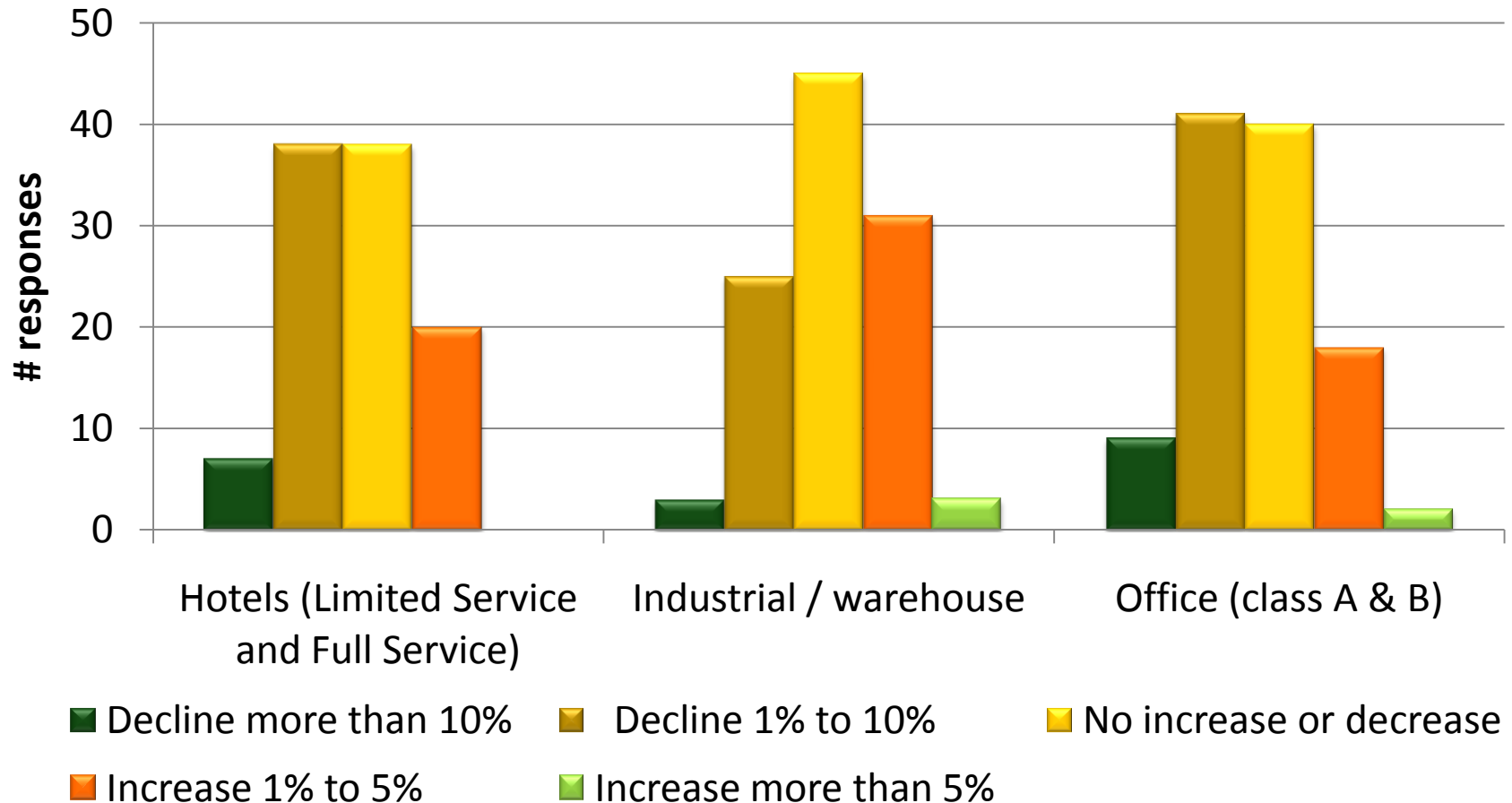
How much will commercial real estate values appreciate in Northern Colorado in 2011 for the following property types:



Source: Everitt Real Estate Center, Colorado State University, Northern Colorado Commercial Real Estate 2011 Survey
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Industrial scores uptick, others flat for 2011

How much will commercial real estate values appreciate in Northern Colorado in 2011 for the following property types:



Source: Everitt Real Estate Center, Colorado State University, Northern Colorado Commercial Real Estate 2011 Survey

Residential property types rank highest

Property type	Score	Ranking
Student housing	3.97	1
Apartments 5+ units	3.83	2
Senior housing	3.81	3
Grocery-anchored retail centers	3.20	4
Industrial / warehouse	3.16	5
Hotels (Limited Service and Full Service)	2.93	6
Office (class A & B)	2.69	7
Power/Lifestyle retail centers	2.62	8
Retail centers < 100,000 sq ft	2.60	9

Source: Everitt Real Estate Center, Colorado State University, Northern Colorado Commercial Real Estate 2011 Survey

Note – higher average score equates to higher ranking

Dichotomy continues to exist in 2011

What do they know or believe?

Brokerage vs. non-brokerage respondent distributions for the following:

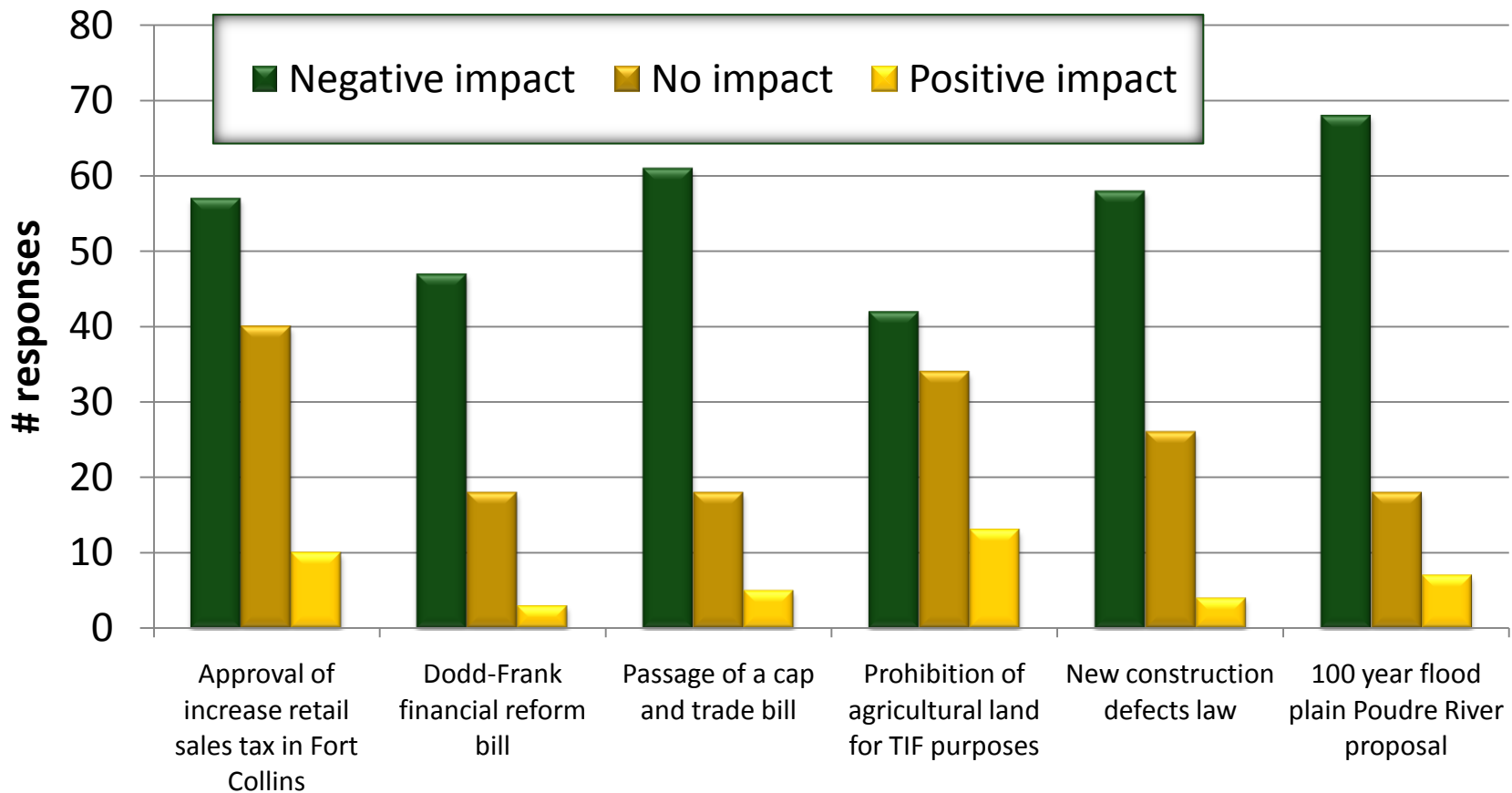
Question	Response	Brokerage	Non-Brokerage
# leasing transactions in 2011	Worse	3%	20%
	About the Same	58%	52%
	Better	39%	28%
# sales transactions in 2011	Worse	9%	23%
	About the Same	45%	45%
	Better	42%	32%
Overall demand for real estate in 2011	Worse	12%	29%
	About the Same	52%	43%
	Better	36%	28%

Source: Everitt Real Estate Center, Colorado State University, Northern Colorado Commercial Real Estate 2011 Survey

Recent and proposed public policy changes

Overwhelming negative impacts on industry

How will the following potential factors affect commercial real estate performance over the next five years



Source: Everitt Real Estate Center, Colorado State University, Northern Colorado Commercial Real Estate 2011 Survey

Reality check for 2011

Mind vs. Heart – the Battle in 2011

Your mind and heart will battle in 2010 and 2011. Unlike other economic sectors, we work, live, and dream with an asset that is multi-dimensional, labor- and capital-intensive, and long-lasting. Thus, the decisions commercial real estate stakeholders and public officials make over the next year have visual and physical impacts for years to come. Without a battle between our minds and hearts over the future of Northern Colorado commercial real estate, nobody wins and everyone loses to some extent.

Don't be surprised over the next year, if, on the one hand, your ears absorb anecdotal market insights through professional networks, your eyes quickly scan market update reports, and your brain observes daily changes in space demand and usage as you drive Harmony, Eisenhower, College, and I-25. You will likely develop rational and realistic conclusions based on factual analysis.

Yet, on the other hand, your heart will debate your rational findings, and just like those who've experienced recessions and recoveries in the past, you will not only view the glass half-full, but may distantly look upward through the glass for a glimpse of a reality that others may not see. Such optimism may be more 'real' than self-fulfilling and pessimistic forecasts. *"Perpetual optimism is a force multiplier,"* according to Colin Powell.

We wish you success in the year to come and eagerly await tapping into the mind of the market next year.

Everitt Real Estate Center, September 2010

