

Hoff & Leigh's Weekend Market Report

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All Market Average Office Building Sale Price PSF = \$103.78 (UP \$1.27 from last week)

We are currently tracking 88 office buildings for sale.
This is 797,093 square feet, which represents a total market value of \$82,723,436.

All Market Average Industrial Building Sale Price PSF = \$91.77 (DOWN \$1.00 from last week)

We are currently tracking 76 industrial buildings for sale.
This is 939,582 square feet, which represents a total market value of \$86,223,406.

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Tim's Market Report

Here are a couple of articles on the Medical Marijuana issue. I hope they provide some light in a murky tunnel.

FROM BOULDER – “Anyone who thinks it would be easy to get rich selling marijuana in a state where it's legal should spend an hour with Ravi Respeto, manager of The Farmacy, an upscale dispensary here that offers Strawberry Haze, Hawaiian Skunk and other strains of Cannabis sativa at up to \$16 a gram. She will “harsh-your-mellow.”

“No M.B.A. program could have prepared me for this experience,” she says, wearing a cream-colored smock made of hemp. “People have this misconception that you just jump in and start making money hand over fist, and that's not the case.”

Since this place opened in January, it's been one nerve-fraying problem after another. Pot growers, used to cash-only transactions, are shocked to be paid with checks and asked for receipts. And there are a lot of unhappy surprises, like one not long ago when The Farmacy learned that its line of pot-infused beverages could not be sold in Denver. Officials there decided that any marijuana-tinged consumables had to be produced in a kitchen in the city. “You'd never see a law that says, ‘If you want to sell Nike shoes in San Francisco, the shoes have to be made in San Francisco,’” says Ms. Respeto, sitting in her tiny office on the 2nd floor of The Farmacy. “But in this industry you get stuff like that all the time.”

One of the odder experiments in the recent history of American capitalism is unfolding here in the Rockies; the country's first attempt at fully regulating, licensing & taxing a for-profit marijuana trade. In California, medical marijuana dispensary owners work in nonprofit collectives, but the cannabis pioneers of Colorado are free to pocket as much as they can — as long as they stay within the rules. The catch is that there are a ton of rules and more are coming in the next few months.

The authorities here were initially caught off guard when dispensary mania began last year after President Obama announced that federal law enforcement officials wouldn't trouble users and suppliers as long as they complied with state law (as long as they grow less than 99 plants). In Colorado, where a constitutional amendment legalizing medical marijuana was passed in 2000, hundreds of dispensaries popped up and a startling number of residents turned out to be in "severe pain," (the most popular of 8 conditions that can be treated legally with the once-demonized weed).

Over 100,000 Coloradans now have medical marijuana certificates, which are essentially prescriptions and for months new enrollees have signed up at a rate of roughly 1,000 a day. As supply met demand, politicians decided that a body of regulations was overdue. The state's Department of Revenue has spent months conceiving rules for this new industry, ending the reefer-madness phase here in favor of buzz-killing specifics about cultivation, distribution, storage and every other part of the business.

Whether and how this works will be carefully watched far beyond Colorado. The rules here could be a blueprint for the 13 states, as well as the District of Columbia, that have medical marijuana laws. That is particularly the case in Rhode Island, New Jersey, the District of Columbia and Maine, which are poised to roll out programs of their own.

Americans spend nearly \$25 billion a year on marijuana which gives some idea of the popularity of this drug. Eventually, we will be talking about a sizable sum of tax revenue from its sales as medicine, not to mention private investment and employment. A spokesman for the National Organization for the Reform of Marijuana Laws says hedge fund investors and an assortment of financial service firms are starting to call around to sniff out opportunities.

"We're past the days when people call here to ask if marijuana will give men breasts," says Allen St. Pierre, the executive director of NORML. "Now, the calls are from angel investors, or REITs — people who are looking for ways to invest or offer their services."

What happens when pot goes legit? How does the government establish rules that allow the industry to flourish, but not run rampant? And given that this is all about medicine, what about doctors, some of whom have turned medical marijuana consultations into a highly lucrative specialty? These and dozens of other questions are being answered in cities like Boulder, where the number of dispensaries is larger than the number of Starbucks & liquor stores combined."

FROM SAN FRANCISCO — "These are heady times for advocates of legalized marijuana in California — and only in small part because of the newly relaxed approach of the federal government toward medical marijuana. Skip to next paragraph

State lawmakers are holding (held) a hearing on Wednesday on the effects of a bill that would legalize, tax and regulate the drug — in what would be the first such law in the United States. Tax officials estimate the legislation could bring the struggling state about \$1.4 billion a year, and though the bill's fate in the Legislature is uncertain, Gov. Arnold Schwarzenegger has indicated he would be open to a "robust debate" on the issue.

California voters are also taking up legalization. Three separate initiatives are being circulated for signatures to appear on the ballot next year (2011), all of which would permit adults to possess marijuana for personal use and allow local governments to tax it. Even opponents of legalization suggest that an initiative is likely to qualify for a statewide vote. "All of us in the movement have had the feeling that we've been running into the wind for years," said James Gray, a retired judge in Orange County who has been outspoken in support of legalization. "Now we sense we are running with the wind."

Proponents of the leading ballot initiative have collected nearly 300,000 signatures since late September, easily on pace to qualify for the November 2010 general election. Richard Lee, a longtime marijuana activist who is behind the measure, says he has raised nearly \$1 million to hire professionals to assist volunteers in gathering the signatures. "Voters are ripping the petitions out of our hands," Mr. Lee said.

That said, the bids to legalize marijuana are opposed by law enforcement groups across the state and, if successful, would undoubtedly set up a legal showdown with the federal government, which classifies marijuana as an illegal drug.

California was the first state to legalize marijuana for medical purposes, in 1996, but court after court - including the United States Supreme Court - has ruled that the federal government can continue to enforce its ban. Only this month, with the Department of Justice announcement that it would not prosecute users and providers of medical marijuana who obey state law, has that threat subsided.

But federal authorities have also made it clear that their tolerance stops at recreational use. In a memorandum on October 19, 2009 outlining the medical marijuana guidelines, Deputy Attorney General David Ogden said marijuana was "a dangerous drug, and the illegal distribution and sale of marijuana is a serious crime," adding that "no state can authorize violations of federal law."

Still, Mr. Lee anticipates spending up to \$20 million on a campaign to win passage of his ballot measure in California, raising some of it from the hundreds of already legal medical marijuana dispensaries in Los Angeles, which have been recently fighting efforts by Los Angeles city officials to tighten restrictions on their operations. "It's a \$2 billion industry," Mr. Lee said of the medical marijuana sales.

Opponents said they are also preparing for a battle next year. "I fully expect they will qualify," said John Lovell, a Sacramento lobbyist for several groups of California law enforcement officials that oppose legalization. Any vote would take place in a state where attitudes toward marijuana border on the schizophrenic. Last year, the state made some 78,500 arrests on felony and misdemeanors related to the drug, up from about 74,000 in 2007, according to the California attorney general. Seizures of illegal marijuana plants, often grown by Mexican gangs on public lands in forests and parks, hit an all-time high in 2009, and last week, federal

authorities announced a series of arrests in the state's Central Valley, where homes have been converted into "indoor grows."

At the same time, however, there are also pockets of California where marijuana can seem practically legal already. At least seven California cities have formally declared marijuana a low priority for law enforcement, with ballot measures or legislative actions. In Los Angeles, some 800 to 1,000 dispensaries of medical marijuana are in business, officials say, complete with consultants offering public relations services and "canna-business management."

Assemblyman Tom Ammiano, a San Francisco Democrat and author of the legalization bill, said momentum for legalization has built in recent years, especially as the state's finances have remained sour. "A lot of people that were initially resistant or even ridiculed it have come aboard," Mr. Ammiano said. In Oakland, which passed a tax on medical cannabis sales in July, several people who signed a petition backing Mr. Lee's initiative said they were motivated in part by the cost of imprisoning drug offenders and the toll of drug-related violence in Mexico. "Personally I don't see a way of getting it under control other than legalizing it and taxing it," said Jim Quinn, 60, a production manager. "We've got to get it out of the hands of criminals both domestic and international."

Mr. Lovell, the law enforcement lobbyist, however, said those arguments paled in comparison to the potential pitfalls of legalization, including people driving under the influence. He also questioned how much net revenue a tax like Mr. Ammiano is proposing would actually raise. "We get revenue from alcohol," he said. "But there's way more in social costs than we retain in revenues."

The recent history of voter-approved drug reform law in California is not encouraging for supporters of legalization. Last November, voters rejected a proposition that would have increased spending for drug treatment programs and loosened parole and prison requirements for drug offenders. None of which seems to faze Mr. Lee, 47, a former roadie who founded Oaksterdam University, a medical marijuana trade school in Oakland, in 2007. Mr. Lee says he plans to use the Internet to raise money, as well as tapping out-of state sources for campaign money.

More than anything, however, Mr. Lee said he was banking on a basic shift in people's attitudes toward the drug.

"For a lot of people," he said, "it's just another brand of beer."

FROM THE CAMPAIGN

Q: What?

A: When I started my run for mayor many, many months ago, I was told that I'd have to become a new person in the marketplace; that I'd have to change my perception of myself, and I'd have to change other people's perception of me. And I can report, that whether I'm elected or not, that change is occurring.

Q: Can you expand?

A: Sure, let me expand with a story.

Just before Christmas last year, while attending my wife's staff Christmas party, I was approached by one of her co-workers. She asked if she could talk to me for a minute. She quietly confessed that she was terribly afraid for the future; the uncertainty about her retirement, the state of the general economy, the state of the world. It had gotten to the point that she was losing sleep. Was there anything I could say that could comfort her?

I put my arm around her, and looking into her eyes, I told her, "You know, I don't have any great answer right now, but I can tell you that there are a lot of really smart people working on solutions." Then I told her, "At the end of the day, it's going to be OK." (*And it is!*)

Then, she looked up at me and said, "Thank you. Coming from someone like you, that makes me feel a lot better."

Now, I don't tell this story to set myself on a pedestal, but to relate a change. I've grown from flamboyant Realtor to someone who truly cares about city issues; who is willing to study them and make "right" decisions. The additional point is that I've learned that there are something like 400,000 folks scattered across the city who rely us (all community leaders) to make that right decision; an informed decision; a wise decision. Not a decision based on media hype and hyperbole.

Q: What have you been doing on the campaign trail?

A: On Saturday, I went to the Team Party. I took my daughter Shannon, and in addition to meeting a lot of new friends who are very passionate about our country, we got one of the best hot dogs we've had in a long time. The only problem was, it was not totally filling, so we had to run to The Home Depot for another – and then to Walgreens for some antacid!

Q: Any final thoughts?

A: Yes; I've been thinking about Allen Greenberg's CSBJ column from Friday. He says "we need a strong voice, a reassuring presence, a commanding "parent" if you will, someone who can take the reins and set things right." He says it couldn't hurt to "have a charismatic leader who can promote all that's right about this town." And he finished with, "We need to find the courage to change the city's charter and then find a mayor who'll help us out of this funk."

I'm not sure Allen's candidate is hanging out waiting to be picked; I think he's growing on a vine and with the right encouragement and nurturing he'll grow into the job.

IT'S TIME.