

Hoff & Leigh's Weekend Market Report

Hoff & Leigh, Inc.

Leasing, Sales, Management, Buyer or Tenant Representation
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Attached is our complete listing of all properties for sale in Colorado Springs, based on property type - office, industrial and condo. This is the most complete listing that we are aware of. It's our goal to provide this information, updated weekly. We develop these lists by basic research and cross-checking data points from the PPCIE, local broker's individual web sites, *The Turner Book* and any other public information domain we can find.

You are receiving this information because, at some point, you asked or a friend referred your name to be included in our e-mail Insider's List. If you no longer wish to receive this information, send an e-mail reply to me (tim@hoffleigh.com) and ask to be removed. Alternatively, if you know someone who could benefit from the receipt of this information, forward this e-mail to them, and suggest they contact us, so we can consider adding them to our exclusive list.

All Market Average Office Building Sale Price PSF = \$110.96 (DOWN from \$111.05 last week.)

We are currently tracking 145 office buildings for sale.
This is 1,496,446 square feet, which represents a total market value of \$166,995,083.

All Market Average Industrial Building Sale Price PSF = \$82.97 (UP from \$82.23 last week.)

We are currently tracking 141 industrial buildings for sale.
This is 1,727,459 square feet, which represents a total market value of \$143,332,556.

To View Tim Leigh's ad, please click below!

<http://hoffleigh.com/Doc/Tim%20Leigh.pdf>

To view our most recent Colorado Springs Business Journal Ad please click below

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Tim Leigh's Market Report

Turner's book came out a few days ago and he abysmally reports "This 3rd quarter report reveals that there's been no improvement in absorption – over 1,000,000 square feet of occupied space has been lost. This loss must be dealt with before any meaningful recovery can begin".

He goes on to report, "All 3 commercial markets lost occupied space, and the square foot vacancy jumped another 1,600,000 feet to an overall total of 9.8 million square feet! This vacancy continues to be the highest amount of empty space ever recorded for the Colorado Springs Metropolitan Area."

And, adding insult to injury, his figures don't include 1.4 million of vacant space at Intel and about 500,000 square feet of sub-lease space. And adding further insult to injury, according to our research, his vacancy numbers, while all encompassing, are far short of

our numbers, which are building-class specific and tell us that the average class B office building is 38% vacant.

Then there are the likes of William Greiner, who it was reported in the Colorado Springs Business Journal, said “the recovery has begun.” On what planet? I know his numbers may show the recover is under way, but my friends keep telling me they’re not “feeling the love”. I’ve cited many strong, local businesses over the past months, including as recently as last week, who are laying-off in significant numbers. And there’s my friend Mercer, who trades his account on the NY Stock Exchange, who told me that he’s “going to bonds because the market’s ready for a correction”. Another friend of mine was in the Big Apple last week, and as the dollar dropped and gold surged, “I heard he saw” (that’s a long-way around the barn) on the local (NYC) news that smart people believe gold could go to \$2,500 an ounce. I’ve had another friend tell me that he expects the stock market to cross the price of gold at 4,000.

It was in that context that I went to the mountains last week to investigate a producing gold mine. The mine owners claim to have over 200,000 ounces of “proven, probable and inferred gold reserves” with a potential value (at \$1,000 per ounce) of nearly \$200,000,000. (For some context and history - during the 1891 gold rush, 70% of the 15.8 million ounces of gold that was recovered was within 800 feet of the surface.) This (new) gold is nearly twice as deep or deeper! (I remember as a kid; we’d dig a hole in the backyard and laugh about digging our way to China! At the rate they’re digging, they’ll pass China, come-out the other side of the earth and end-up on the moon!)

I saw the shaft (and auger); 1,900 feet horizontally from point A to B and I saw the shaft that goes 400 ft deep to the intersection at point B and from whence there will be another shaft drilled 1,200 deeper to the vein. In fact, I was offered a ride to the bottom of the short-shaft in a 4 ft wide cart. Can you say, “Vertical pine box?” or “Buried, standing-up?” I thanked them for the offer and respectfully demurred. (More context; I was at the top of the US Capital Dome a couple of weeks ago. The short-shaft is as deep as the Capital Dome is high; then deep, deep into the bowls of the earth another 3 times for easily, albeit expensive, recoverable gold! In a masterful understatement, I was told “it is pretty darn dark down there.”

So, what’s your world view? Is the price of oil going up? Is it the end of the dollar? Are we into a real recovery or is the recovery “W” shaped and the market poised to dump again, tricking all the Bulls? What about gold? Ever thought about owning a piece of a legitimate gold mine? If you’re interested in talking about the state of the world, give me a buzz: [\(719-337-9551\)](tel:719-337-9551) or shoot me an email: Tim@HoffLewigh.com. I’d love to tell you about my trip.

Because of the uncertainty in the world (in general) and in the commercial lending market (in particular) and because commercial lending has become such a moving-target recently, a couple friends asked me to explain how “it” works, so to that end, as friendship dictates, here you go:

The average businessperson (Mr. Borrower) normally borrows money for 2 real estate purposes; 1) to purchase his home, and 2) to purchase his place of business. In that vein, (subtle reference intended), Mr. Borrower normally enlists the services of a competent mortgage lender and a commercial bank.

The mortgage lender typically offers 2 options for home loans: 1) conventional loans, and 2) FHA - (Federal Housing Administration loans). The commercial bank normally offers 2 options for commercial building loans: 1) conventional loans and, 2) SBA - (Small Business Administration loans).

From the SBA website, we learn “The SBA was created in 1953 as an independent agency of the Federal Government to aid, counsel, assist and protect the interests of small business concerns, to preserve free competitive enterprise and to maintain and strengthen the overall economy of the nation.” They go on to say, “We recognize that small business is critical to our economic recovery and strength, to building America’s future and to helping the United States compete in today’s global marketplace.” Wow! Pretty darn lofty goals if they can git er done. And to that end, the SBA offers 2 loan programs generally used by small business borrowers; 1) 7(a) Loans, and 2) 504 Loans.

The 7(a) loan is SBA’s primary loan. It’s totally (100%) funded with money delivered, compliments of your local, personal, commercial bank. Its loans come with a 90% (used to be 70%) SBA guaranty so, when Mr. Borrower’s not otherwise eligible, (imagine that!) with the government guaranty, he magically becomes eligible. (It’s a miracle!) The 7(a) is a variable rate loan with the rate normally re-setting every 3, 5 or 7 years. There’s an SBA policy change afoot, however, where the SBA says it’ll provide 7(a) loans for longer durations and instead of benchmarking loan costs from “the prime-lending-rate”, it will use LIBOR with a larger “cap-on-the-spread” and will in effect, provide longer-term, lower cost, fixed-rate commercial lending. Stay tuned for that!

The 504 loan is funded 10% by the borrower (down payment); 50% by the commercial bank (1st mortgage), 40% by the SBA (2nd mortgage) and if the borrower’s thin, the Seller can “carry-a-note” and thereby, provide up to 50% of the downpayment, effectively making this a 5% down-payment loan. (And no, Bob, “carry-a-note” is not a reference to your singing.) These loans are fixed-rate for a term-certain. Today, for example, Wells Fargo quoted me a 20 year fixed-rate loan with the bank portion at 5.75% and the SBA portion at 4.85%.

FHA loans are described as loans for folks who 1) “don’t have a lot of money” (sounds like a lot of the folks I know after the last 14 months!); 2) who want to keep their monthly payment as low as possible; 3) who are worried about their monthly payments going up; 4) who are worried about qualifying for a loan; and 5) who don’t have perfect credit. (FHA loans provide lower interest rates and longer-term amortizations than commercial loans and, therefore, if you could get

an FHA loan on your commercial property, the monthly payments would be significantly less.

My contention has been that commercial lending has been a drag on the economy and that the government ought to look into revising the FHA loan program to include small, owner-occupied commercial buildings. Imagine the possibilities? There would be an immediate rush to re-finance existing debt and a rush to new acquisition. The decrease in monthly payments would create a significant increase in free-cash-flow for other investment or consumption. Say now, there's an idea! Hmm.

I ain't no rocket scientist and I've had an SBA lender trying to talk me out my outlandish idea, but I can't help thinking that if we could take an existing, government sponsored loan program and by slightly modifying it, so an entirely new class of borrowers were served, it can't be all bad.

Hmm.

Have a profitable week!

Tim Leigh

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