

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 = \$109.95 (DOWN from \$110.64 last week.)

We are currently tracking 147 office buildings for sale.
This is 1,526,152 square feet, which represents a total market value of \$167,797,033.

All Market Average Industrial Building Sale Price PSF = \$81.92 (DOWN from \$82.49 last week.)

We are currently tracking 141 industrial buildings for sale.
This is 1,728,519 square feet, which represents a total market value of \$141,603,756.

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's Market Notes

“There's real comfort in touch. Maybe it's just the soft touch of a warm hand lazily running up & down the heart of the back; but it's comforting to a road warrior who's on the bottom step on the way out the door. It helps him know he's not traveling down the road of life alone. And nobody likes being alone. . .”

And that lonely big Whoosh you hear is the air rushing out of the commercial real estate bubble. We're about 2 years into the worst housing crisis in decades and commercial real estate is shaping up as the 2nd half of a double-trouble-bubble. Owners of retail centers, office & industrial buildings, (and the bankers who financed them), face a major blood-letting over the next couple of years as mortgages on those properties come-due.

Somewhere in this writing, I need to mention Pole's, middle-aged-dating, short ties, Tricksters, Aliens, gold mines, utilities and massage therapists. Wow! Whew!

Much like homeowners who owe more on their mortgage than their house is worth, many commercial property owners have seen the value of their buildings drop like a desperate man diving from Golden Gate Bridge. These crashing values, in many cases, 35% or more, increase the risk-of-loss on hundreds of billions in commercial real estate loans. Many commercial building owners bought at-the-top (there's a surprise) and are now living through their Nightmare on Elm Street, losing significant balance sheet equity and an attendant loss of purchasing power. If there's a lesson here, it's "that in every man's misadventure is another man's opportunity."

Here's a couple of local, real-time reality-checks; 1) a friend of mine's Broadmoor Bluffs house was worth well-over \$700,000 a couple of years ago; it was just appraised for refinancing at \$495,000; and 2) I've lowered the asking-sale-price of my building at 2500 North Circle Drive, (which is an exceptionally-clean 4-unit user or investment property), to its 1999 appraised value. That's about ½ its former balance sheet value. And yes, you can call me if you'd like to discuss the delusion of equity! And no; not even at that price; nobody's beating a path to my door!

These significant losses in value are expected to put greater stress on small banks. Small banks (assets under \$1 billion) are not too big to fail; er, ah, or, "they are small enough to sacrifice." (And, again from the side-bar; the FDIC just shut down its 100th such bank this year, last week.) To the point of saving many of these banks, The Office of Thrift Supervision says it's close to finalizing new guidelines for banks on how to modify troubled commercial real estate loans to reduce defaults and foreclosures and to newly account for losses from those loans. Some analysts say the "extend & pretend" practices of lenders, (who extend loan maturities because they don't want to foreclose and account for the losses), are delaying the process of recovery.

Extend & pretend is a pretty interesting concept. In theory, here's how it works: As long as the commercial building owner is current on his payments, bankers are willing to delay refinancing for a few years in hopes that the economy and the real estate market will improve. Or stated another way, Mr. Borrower gets newly refinanced at 100% of his existing debt. It's a Christmas Miracle! Normally, borrowers are forced to show-up with 25% equity to get refinanced. Obviously, Mr. Borrower's bank doesn't want to acknowledge the troubled asset. Hmmm . . . That sounds a little fishy to me. (Small banks used to carry about 40% of their loan portfolios in commercial real estate loans; then it ran up to 55%; now (industry-wide) it's about 75%. Can you imagine why they might not want to foreclose?)

Smart people continue to tell us that, "Notwithstanding that we may be well into a recovery, there's widespread concern that commercial real estate poses a serious threat to

that recovery.” For example, a couple of weeks ago, Helicopter Ben proclaimed to the House Financial Services Committee, “Commercial real estate remains a very serious problem.” No Kidding! How about reading between those lines? (As a Master-of-Understatement, Bernanke’s 2nd career could be as a dark-comedian.)

And, while the market for commercial loans is only about 1/3 the size of residential loans, the problem with commercial loans could actually be worse because there could be a larger percentage of defaults. That’s because, unlike home mortgages which typically run 15 or 30 years, most commercial loans are short-term; normally 3 - 7 years. Since most commercial loans were written at the height of the boom, and because of their short term nature, they are now coming due. Because most borrowers have taken a big hit financially, they typically don’t have any cash to put into their deal (unless they received that miracle elixir, extend & pretend), and without newly required cash they lose their property to foreclosure causing a strong downward pull on the fragile recovery.

Frankly, I’ve always considered that having a short-term commercial loan with no automatic extension provision is like having a rifle leveled at your head, with its missile poised to be fired into the dark recess of your brain with a simple flick of the bank’s itchy trigger finger! Obviously, during the boom-times, because of hoped-for returns, commercial real estate became the Darling Loan for most bankers. However, “Me thinketh the lipstick has been wiped from the Pig’s lips.”

What’s the real world impact? The down-turn forced many, small business to slow-down or get-out of the game. Attendant lay-offs diminished demand for commercial space. Diminished demand caused lower rents. Lower rents caused lower building values. Lower building values produce less community-wide tax collection. Less community-wide tax collection means the government must concoct new ways to fund itself, which normally means a cry for new taxes. What a circle. Sound familiar?

OK, back to the 3rd paragraph; Polacks; I met 2 of them this week. Really cool guys; one rich and one a government employee. Know how I know? One drives a Mercedes; the other drives a Ford. I’ll leave it to you to figure-out which one drives which one. They’re looking for investors for their parking structure in a town whose name I can’t pronounce. It’s a winning concept, though; go to Poland, invest millions in a hole in the ground (subterranean parking structure) and have a socialist government guarantee your cash flow for 30 years. Hmmm. .

Middle-aged-dating was rampant at the Loggins & Messina concert Monday night. Now I like the look of a good-lookin lady as much as anybody, but hey, if you were a teenager in the 50’s or 60’s, there’s something to be said for high-heels and tight-fitting jeans; they should be left to your grandchildren. And guys; here’s a head’s up. If you’re trying to impress the lady, wear the tie at least to the top of your belt. I’m just saying. Oh, the concert? Big L, little M.

Tricksters and aliens are alive and well, and if you want to see one, go to the San Luis Valley. According to Art Bell, Tricksters are what caused the financial mess we're in, or maybe it was those darn aliens.

Because you have enough other stuff to worry about, I'm here to tell you to quit worrying about finding the best massage therapist in the city. I've found her. She is the definitive massage therapist lady ([Janet Shipman](#)). Yup; you can call her at [970-366-6412](tel:970-366-6412) or send her an email: JLSlife13@hotmail.com. She's from Maui; she works at the Garden of the Gods club and when you're done with your massage, you'll feel stoned. If you're not a massage connoisseur, you can't appreciate that last statement. Suffice to say, she's the bomb!

I was treated to a 1 man tour of the Drake Power plant this week. They run a tight ship. There is a lot of coal down there! And dang – it was hot. How hot was it? Well, if it was a precursor, I advise going up, not down.

And lastly, finally, thankfully, (I heard you), I am planning to descend 1,600, into a 4' X 4' mine shaft this week to investigate a gold mine. I couldn't get it into my schedule last week. I've been told that there is a 3' wide vein that runs the entire length of the property. If it's so, you'll hear from me. If I don't make it back by next Sunday, call Terry Maketa and have him send out a search party!

In spite of our current economic dysfunction and normal daily troubles, we live in time of great opportunity.

So please, make it a great week!

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