

# Hoff & Leigh's Weekend Market Report

## Hoff & Leigh, Inc.

Leasing, Sales, Management, Buyer or Tenant Representation  
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**All Market Average Office Building Sale Price PSF = \$107.27** (UP from \$105.38 last week.)

We are currently tracking 155 office buildings for sale.

This is 1,604,443 square feet, which represents a total market value of \$172,108,297.

**All Market Average Industrial Building Sale Price PSF = \$83.65** (UP from \$83.46 last week.)

We are currently tracking 139 industrial buildings for sale.

This is 1,642,245 square feet, which represents a total market value of \$137,379,756.

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

<http://hoffleigh.com/Doc/2.12.10.pdf>

## Tim's Market Report

The commercial real estate market continues to be spotty in Colorado Springs and because I want to believe, I keep reading the mainstream press that claims "The Great Recession" is over. However, the sub-culture stuff I read tells a different story. Most of the guys who really study this stuff, and who don't write for the main-stream, say that we will look OK through the 2<sup>nd</sup> quarter, 2010 then all-heck will break-loose. They say we'll see the effect of the banking crisis when it hits commercial property as loans reset and we experience the illiquidity caused by the Fed's rules and policy. They claim buildings will be foreclosed and prices will drop. Of course, after having said that, last week we closed another small building sale and wrote several leases; it almost feels like old times.

It feels like activity levels are picking up and in fact I have several buildings that are 100% leased. (The only problem is; "they don't know one note of music!") - They're running only about break-even, because of continually declining rents. And of course we've seen more than our fair share of dispensary's & growers looking for a "spot-for-pot".

And is it just me, or is that the scratchy feeling of noose being tightened around my neck?

A friend of mine called from The Citrus State on Saturday to forewarn me of pending rule change to existing law that impacts everyone who owns single family investment property. He said the government's got a plan up-their-sleeve that says "If you want to sell your single family residential investment property and "carry-the-note", you'll have to become a licensed mortgage lender. OK; pause and think that one through. I know; I said it too, but I can't write it.

Here's how it works: Mr. Investor buys a single family fixer-upper (SFFU); fixes it and now wants to flip-it. Unfortunately, the normal buyer for said SFFU is not qualified for a regular loan. So Mr. Seller snaps his suspenders, blows a few smoke circles from his big cigar, slaps his new, good buddy on the back and says, "No problem Billy Bob! I'll carry your mortgage." Not so fast say the Feds.

Apparently, there's been so much fraud & corruption in the lending industry (Oh, really? I thought we called that WAMU, B of A, ACORN, Fannie or Freddie, etc., I mean; what?) that we can't allow that transaction anymore. Our father in Washington is telling millions of small, real estate entrepreneurs, "You're out of the game, Brotha! If you want to "sell & carry-the-note", forget-about-it!

OK, think about the millions of small houses from Detroit to Phoenix that will only sell with owner-financing and the millions of buyers who can buy, only with owner-financing. Hmm. . . I wonder what genius thought of this. (By the way, don't believe me? You can find the citation in the Federal Register, Volume 74, No. 239). Fight this! Call your congressman before Tuesday. They take comments until then. After that, we're screwed.

If that's not insulting enough, here's another new rule that should make you mad as hell. Our father in Washington says if you own a house that was constructed prior to 1978, (including your personal residence), if you do any work on that house and disturb more than 6 square feet (that's an area of 2' X 3') on the inside, or 20 square feet (2' x 10') on the outside, you'll need a "certified lead based contractor" to do the work. No kidding! Your certified lead based contractor will have to construct an encapsulation chamber, inside of which, (and only inside of which), you can do the work. I think my brain just exploded!

The story is, lead based paint was used years ago; it was sold as "renewing" paint because when it got wet from washing or rain, a thin veneer fell off and it looked fresh; it looked new. It was a great marketing pitch. It was used on tract homes and in the cities. Unfortunately, well after the fact, someone fed a small dose of lead based paint to some cute, little-furry-mice who ultimately died; presumably from lead poisoning and not choking. (I don't know about you, I normally munch potato (not paint) chips with my beer and so I don't feel much risk from this and I certainly don't feel like I need Big Brother watching my back on this one.)

So, let's say you own a pre-1978 house (this could be an SFFU or your personal residence) and you want to have the exterior painted. The painting crew shows up to

prep-the-surface. Zoom, zoom. The miracle of water under pressure washes away the dirt, grime and loose paint. Life is good; Oops; until some of those darn paint chips fall onto the ground. Dang; unless you had a certified lead based contractor do the work, you could be in violation and subject to a large fine. (That would be called taxes – oh, yea; now I see it.)

Stop the insanity. Contact your congressman. Tell him to get to work and quit-goofing-off. Tell him to quit reading Mad Magazine and start paying attention. There are rules being made that none of us are even aware of, unless we receive forewarning from the Citrus State. If you want to talk about this, call me, 719-630-2277 or email: [Tim@HoffLeigh.com](mailto:Tim@HoffLeigh.com).

And now, if you haven't read the Business Journal or the Gazette in the past few days, or if you're living along Fountain Creek and haven't had time to peruse the Library's newspapers because you've been busy packing, I'd like to let you know (confidentially, of course) that it's official. I tossed my hat into the Mayor's Ring. Yup; I went to the city clerk's office and quietly dropped-off the form that makes me an official target. And it didn't take long. From the Gazette's blog:

“Just what we need; a real estate guru as mayor.” Now, I took this guy's comments as a compliment; after-all, one of my personal goals has always been to be a guru. In fact, there's a guy in town who can catch a bow-shot arrow with his hand, mid-flight before it hits his face. He's a self described guru and offered to teach me the tricks of the trade. But I digress. .

And here's another, “Real estate people drove this town into the ground to begin with. He might as well finish us off.”

And another; “Can't wait to see who endorses Leigh . . . that will be a good indicator as to what his agenda will be.”

And another; “First a bunch of developers and now a real estate guy; you just can't win.”

And finally; “Please, no real estate developers on our city council. They created this mess in 1<sup>st</sup> place. I am sure his agenda is motivated by financial gain for himself!”

I guess at \$6,250 per year, I'm in it for the money!

On my trek, I continually have the chance to meet bright people who truly care about the city. Last week, for example, I met the Fire Chief. What a great guy. He's a local guy who grew up in the system. We are lucky to have him. He showed me his version of Tabor's ratchet-down-effect and explained that if our budget deficit is about \$30M next year, even if we have the perfect sale tax increase scenario in the ensuing 3 years, we'll only recapture \$10M in the following year and only \$5M in each of the succeeding 2

years. Houston – (I know, you’ve heard this before) – we have a problem. Our budget is on a collision course with disaster. The chief told me that, efficiency, economies-to-scale and salary cuts notwithstanding, we need to fix a larger problem. And, he promised me a free T-shirt! Like I said, “What a great guy!”

And I met with 2 separate, credible individuals who confirmed there’s a swimming pool manager floating around earning \$85,000 a year. (Hey, I want that job! It pays 13 times as much as the Mayor’s job!) And, if that’s not nutty enough, (because, come-on, how much should that job be worth, really?), she has 2 assistants – each making \$55 grande. And now that I think about it, I might really want the assistant’s job instead. Less work, less responsibility and still - pretty darn good pay.

And I met with the Utilities guys. I think they’re great guys, too; so far. They unveiled a plan they concocted for the city’s benefit (ah, that would be our benefit, Bob). They explained why they can’t give us “free” water for the parks. It has to do with bond ratings and ultimately if they did give us “free” water, it would be very expensive. They’re hampered by rules promulgated at the state level. But the good news! The parks are going to be watered! The utilities guys have worked a deal with the parks guys to conserve water and by being creatively thinking outside the box, the parks guys can budget their water costs for about 75% of its norm and we get green. That’s a huge win for all of us. Way to go team! This is a 1<sup>st</sup> step!

And I met with Dee Cunningham. She’s the lady who supervises the work-release guys that pick-up the highways. She runs Keep Colorado Springs Beautiful. Her annual budget is \$45,000. To replace the work her organization does would cost us double if we couldn’t use her “volunteers”.

Since January 2009, her organization has removed 40 tons of trash from roads and city property and 32 tons of trash from homeless camps. She uses 321 “volunteers” (ah, that would be jail-birds, Bob); and has spent nearly 7,000 hours keeping our city beautiful. She’s been told her program has to go. Hey, here’s an idea. Let’s verify the pool manager’s salary; let’s unload just 1 assistant and keep Dee’s program. Let’s keep the city beautiful. Hmmm. . .

Keep it real,

*Tim Leigh*

**Tim Leigh**  
Hoff & Leigh Commercial Real Estate