



Real Estate Investment

4TH QUARTER 2008

The Economy—How We Got Here

Kevin Brinkman

How did the economy get where it is today?

Among the array of causes, one stands out above the rest as the strongest: creative financing. Fannie Mae's and Freddie Mac's push to increase homeownership, beginning early in the decade, prompted lending to those with bad credit, the emergence of no-down-payment mortgage structures, increasing numbers of loans to homebuyers with questionable employment, and short-term reduced interest rates which circumvented the need for proper financial ratios needed for an applicant to "qualify" for a home loan. These new dynamics created a much larger demand for housing, which brought on speculators and national "irrational exuberance" that sent housing prices sky high.

This was all well and good, until the short-term rates started to adjust and the new home owners couldn't pay their mortgages. A substantial number of loans granted with limited equity in the home inhibited the homeowner's ability to sell or refinance, resulting in plunging home values. Large numbers of borrowers were forced to walk from their homes and let the banks take them over. Now, with the banks holding an overwhelming number of these pools of toxic mortgages, they find themselves with no cash or liquidity, quickly winding down the economy.

Usher in the Emergency Economic Stability Act. The Treasury now has the green light to deploy up to \$700 billion to refinance the slew of bad mortgages, buy mortgage-backed securities to get them off the banks' balance sheets, and buy equity stakes in ailing banks and other financial institutions. This balance sheet stability and added liquidity for lenders is hopefully the grease that will enable a restart for the economic engine. Also, now that commodity prices have tumbled, the fed has plenty of room to cushion the economy with lower interest rates.

Here in Northern Colorado we have seen sustainable growth for the last decade, but we will not be immune to the national and world financial issues. As real estate investors we should be able to enjoy low interest rates and a great buying opportunity in the near term.

Kevin Brinkman is co-founder and managing broker of Brinkman Partners. His credentials include a Bachelor of Science in Civil Engineering from the University of Colorado in Boulder, Master of Science in Real Estate Finance from the University of Denver, and designation as a Certified Commercial Investment Member (CCIM).

Northern Colorado – Right Time, Right Place for Commercial Real Estate Investment

Joshua Guernsey

Amid a stream of collapsing investment banks, the conservatorship of major agencies (Fannie Mae and Freddie Mac), Chapter 11 bankruptcies, frantic mergers and acquisitions, insolvency, and federal bailouts, investors are finding themselves at the mercy of remarkable market volatility. Historic declines followed by marginal gains in the financial markets have investors scrambling for stability in their investment portfolios.

For many investors, commercial real estate in Northern Colorado offers the stability and returns that they are looking for. A property with strong tenancy can provide consistent cash-flows coupled with long-term appreciation of the real estate, offering comparatively predictable returns for an investor over a given period of time. For other investors who are seeking shorter-term gains, opportunities are abundant in Northern Colorado. Purchasing a property in a strategic location, improving the tenancy and the terms of existing leases, rehabbing existing buildings, or investing in the right ground-up development projects are all methods in which short-term gains can be achieved.

The local and regional economy is the foundation and leading indicator for how commercial real estate will perform in the foreseeable future. According to Northern Colorado regional economists, Northern Colorado's economy will outperform the nation's in 2009. A "strong and diversified" economy as well as the development of Northern Colorado's clean energy sector will create 4,000 new jobs over the next year. Job growth of 1.9% in 2009 is projected to be followed by 2.1% growth in 2010. With Northern Colorado ranking as one of America's Best Places for Business and Careers (Forbes 2008) as well as one of America's Top Places to Live (Money Magazine 2008), our regional economy should continue to drive a relatively strong commercial real estate investment market.

Joshua Guernsey is a broker specializing in investment transactions in Northern Colorado. His credentials include a dual Master's degree in Real Estate Finance and Construction Management from The University of Denver, and designation as a Certified Commercial Investment Member (CCIM).

FEATURED NEW BRINKMAN INVESTMENT OPPORTUNITY

3985 S. Lincoln Avenue
Loveland, Colorado

- Square Footage: 28,652
- Price - \$4,200,000 (\$146.59/SF)
- Cap Rate - 8.39%
- Great Regional Location
- Highway 287 Frontage / Visibility
- 100% Leased



FEATURED 3RD QUARTER BRINKMAN TRANSACTION



221 E. Mountain Avenue, Fort Collins

- Square Footage: 7,792 Building
19,500 Site
- Price—\$1,287,500 (\$66.03/SF—Land Price)

Brinkman's investment team identified this property and presented it to a private investor client as an excellent investment opportunity. Investment attributes include:

- Strong tenancy providing near-term cash flow
- Ideal future redevelopment site
- Extremely well located at the gateway to Old Town Fort Collins
- Large corner, square lot with ideal visibility from two streets
- Adjacent to city-owned parking garage

OTHER NOTABLE TRANSACTIONS— NORTHERN COLORADO

Landmark Apartments
1050 Hobbit Street, Fort Collins
120 Units / Multi-Family
\$11,300,000 (\$94,167.00 per Unit)



Paragon Office Building
3540 John F. Kennedy Parkway, Fort Collins
18,144 SF Building
\$2,080,000 (\$157.08/SF)
Owner-Occupant Purchased Building



Market Square
3820-3840 West 10th Street, Greeley
Multi-Tenant Retail Center
\$7,700,000 (\$178.00/SF)



Mountain Avenue
126-144 West Mountain Ave, Fort Collins
13,966 SF—4 Buildings
\$2,784,234 (\$199.36/SF)
Cap Rate: 7.03%



Our Services for Clients



Achieving solid returns on your investment doesn't happen by accident. Below is an array of activities we perform to reduce risk and remove workload for our clients:

Investment Underwriting

Conduct Discounted Cash Flow Analysis
Conduct Internal Rate of Return Analysis
Identify Leverage Optimization Scenarios
Evaluate post-purchase Value-Add Opportunities

Existing Tenants Review

Coordinate Legal Review of Existing Leases
Conduct Extensive Tenant Interviews
Investigate Tenant Financial Strength

Investment Risk Review

Perform Lease Rollover Risk Analysis
Develop Capital Expenditure Projections
Identify Relevant Site, Local, Regional & National Influences

Third-Party Reports Oversight

Coordinate Environmental Report (ESA)
Coordinate Property Condition Assessment (PCA)
Coordinate Soils, Roof, Government Compliance Reports
Coordinate Legal Review of Surveys
Coordinate Legal Review of Title Commitment

Sales/Dispositions of Assets

Conduct Valuation and Market Analysis
Prepare and Assemble Buyer's Due Diligence Package
Execute Comprehensive Marketing Plan
Orchestrate Transactional Services – from Contract to Close

Other Full-Spectrum Services

Our services to clients also include: Zoning and Allowable Uses Reviews; Tax Assessment Reviews; Drafting Purchase Agreement Documents, Estoppel forms, SNDA Forms and Lease Confirmation Certificates; Financing and Equity Coordination; Full Transactional and Closing Services; and On-Going Property Management.

Your Brinkman Partners Investment Team

www.brinkmanpartners.com/investments



Kevin Brinkman



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Contact Brinkman Partners today for real estate investment opportunities. 970-206-4500