

# Denver, Colorado

Tenant's Guide ■ North American Markets ■ Fourth Quarter 2009

## Overview

The Denver office market ended the 3rd quarter of 2009 with a vacancy rate of 14.6%, down from the previous quarter of 15.4%. Net absorption for the quarter totaled a positive 606,010 square feet. Vacant sublease space decreased to 1,706,780 square feet. The average rental rate for all classes of office space decreased to \$20.01 per square foot, down from \$20.62 last quarter. Four buildings were delivered in the 4th quarter totaling 492,040 square feet with an additional 1,167,891 square feet still under construction.

## Market Trends

- Vacancy rates decreased in the 4th quarter of 2009, ending a several quarter increase.
- The real estate market in the 4th quarter of 2009 in Denver continued to be a "Tenant's market", as rental rates continued to drop slightly due to negative absorption of space and high vacancy rates.
- Landlords continued to be creative in structuring lease transactions in an effort to differentiate themselves from the competition in attracting tenants. Concessions such as moving and cabling allowances, rent credits, rent offset from tenant improvement allowances, furnishing space, and phased occupancy (or "must takes") have become more and more common in office leases.

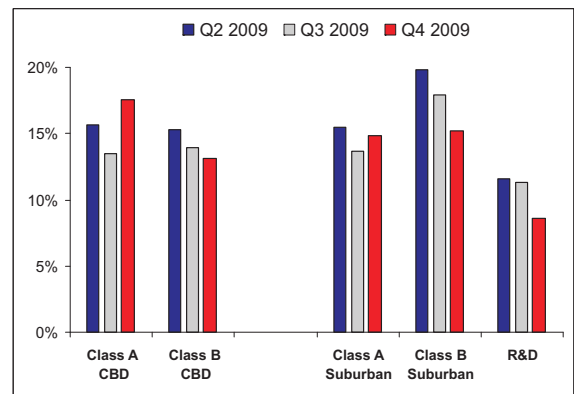
## Tenant's Perspective

With the credit markets in disarray, most landlords were increasingly more careful with their capital outlays on leases, as their funding sources have been constrained. Landlords and their lenders continued to heavily scrutinize prospective tenants' creditworthiness, and have become more strict on credit than in a "Landlord's market". Many tenants are considering, or have entered into, lease restructure agreements with their current landlords, in an effort to reduce their real estate costs over the next 12-24 months. In exchange for reduced costs to tenants in the short term, landlords are expecting three to five years of additional lease terms past tenants' current lease expirations.

## Major Transactions

Tenant/Buyer	Size	Type	Lease/Sale
Catholic Health Initiatives	103,743	Office	Lease
Zynex Medical Inc.	75,000	Office	Lease
Baxa Corporation	63,834	Office	Lease
St. Mary Land and Exploration	45,810	Office	Lease
Affiliated Bank Service Company	41,550	Office	Lease
Kaiser Permanente	38,106	Office	Lease
Kaiser Permanente	35,424	Office	Lease
Colorado History Museum	32,477	Office	Lease

## Vacancy Rate



## Average Rental Rates

	Q2 2009	Q3 2009	Q4 2009
<b>CBD</b>			
Class A Office	\$28.85	\$28.27	\$27.51
Class B Office	\$21.69	\$21.00	\$19.73
<b>Suburban</b>			
Class A Office	\$22.56	\$22.26	\$22.07
Class B Office	\$17.40	\$17.13	\$17.93
R&D	\$8.71	\$8.51	\$6.10

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