



Denver, Colorado

Tenant's Guide ▪ North American Markets ▪ Fourth Quarter 2011

Overview

Certain submarkets of the Denver office market are on the verge of trending towards a landlord's market, especially in class A space in the CBD/Lodo submarkets. The Denver real estate market as whole will likely remain a tenant's market until we experience significant job growth. Although Denver experienced 1.4 million square feet of positive absorption (524,624 SF in the fourth quarter) and a decrease in vacancy of nearly one percent in 2011, rental rates have remained relatively flat.

Market Trends

- Activity in the market remained strong in the fourth quarter of 2011 with several large office leases being signed.
- Large blocks of space are limited in the CBD/Lodo market.
- There were numerous notable sales in the 4th quarter of 2011:
 - 1801 California - \$215,000,000 (\$163/SF) – CBD
 - 1899 Wynkoop - \$52,700,000 (\$318/SF) – Lodo
 - 1755 Blake - \$40,600,000 (\$360/SF) – Lodo
 - 198 Inverness - \$37,400,000 (\$233/SF) – Inverness
- The low vacancy rate in class A space in the CBD/Lodo market has triggered new spec office development. New developments have generally been scarce over the last three years.
- Several large residential developments, specifically apartments, have recently been proposed and/or are under construction, signaling optimism and the availability of financing.

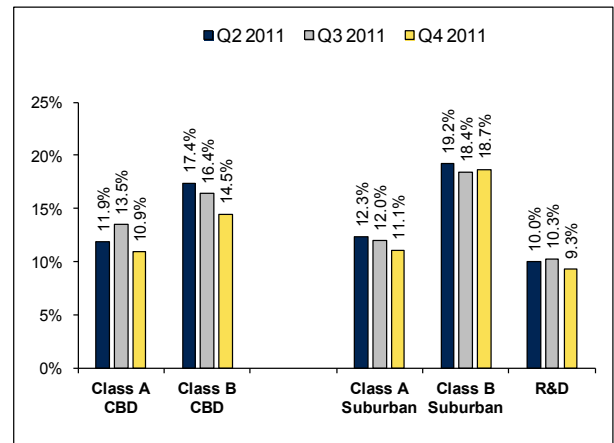
Tenant's Perspective

As the market begins to shift away from the tenant and toward equilibrium, stable companies should look at securing longer-term deals and take advantage of the slowly recovering market. Tenants in the suburban markets, especially along I-25 Belleview to Lincoln, can still take advantage of a tenant's market, with lower lease rates and more concessions.

Major Transactions

Tenant/Buyer	Size	Type	Lease/Sale
General Electric	280,000	Industrial	Lease
URS Corporation	185,988	Office	Renewal
Catholic Health Initiatives	93,000	Office	Lease
ProBuild Co. LLC	86,937	Office	Renewal
The Industrial Co.	68,261	Office	Lease
Laser Technology	54,202	Office	Lease
Czarnowski Display	51,200	Industrial	Lease
AIMCO	49,474	Office	Lease
Premier Manufacturing	43,919	Industrial	Lease

Vacancy Rate



Average Rental Rates

CBD	Q2 2011	Q3 2011	Q4 2011
Class A Office	\$28.17	\$28.16	\$27.79
Class B Office	\$21.06	\$20.14	\$20.09
Suburban	Q2 2011	Q3 2011	Q4 2011
Class A Office	\$22.18	\$22.20	\$22.46
Class B Office	\$17.26	\$17.34	\$17.54
R&D	\$6.61	\$6.64	\$6.62

