



Denver, Colorado

Tenant's Guide ▪ North American Markets ▪ First Quarter 2012

Overview

Quoted rents for office space in metro Denver have bottomed out at \$20.54/SF, only \$.01/SF different from a year ago. The gap continues between quoted and deal rates. Free rent and other concessions are still part of lease negotiations. However, the extent of concessions varies considerably between class A and B buildings and between different submarkets.

Market Trends

- Activity in the market continued to be strong with 458,425 SF of positive absorption in the first quarter of 2012.
- Large blocks of space, 50,000+ SF, continue to be limited in the CBD/LoDo market.
- Several office buildings were sold in the first quarter of 2012, and some of the most notable ones include:
 - 6400 S Fiddlers Green – Plaza Tower One - \$82,500,000 (\$176/SF) – Southeast Suburban
 - 5619 DTC Parkway – Terrace Tower - \$37,833,000 (\$155.94/SF) – Southeast Suburban
 - Aurora Corporate Plaza (5 Buildings) - \$10,000,000 (\$29.64/SF) - Aurora
- Large residential developments continue to be announced throughout the Denver Metro area, and most are located in or around the CBD/LoDo market.

Tenant's Perspective

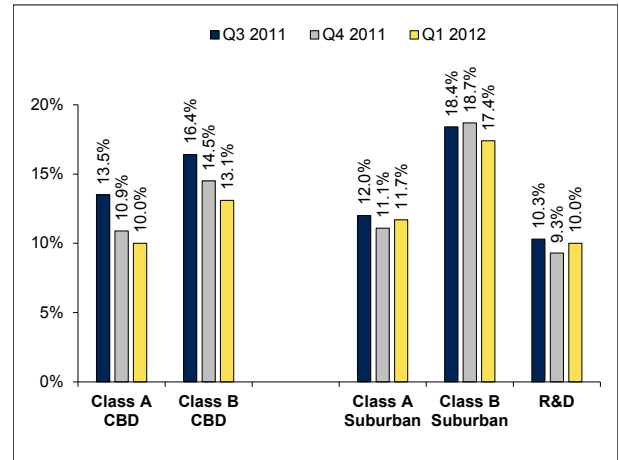
With vacancy at 16.4%, metro Denver remains a tenant's market. However, an equilibrium condition is likely by year-end and has already occurred in several submarkets. Nothing dramatic is in the forecast, but tenants can expect fewer concessions and higher rates in class A buildings in 2012. Equilibrium markets with no new supply on-line are a forerunner to rate increases.

CBD/LoDO has run contrary to the rest of the market in the last two years, with absorption of 1.7 million SF. Vacancy is currently at 12%, with a 3% vacancy for view space. The tenant's market has disappeared in CBD/LoDO and is at equilibrium.

Major Transactions

Tenant/Buyer	Size	Type	Lease/Sale
FedEx Smart Post	200,000	Industrial	Lease
Davis Graham & Stubbs	115,000	Office	Renewal
Condit Exhibition	107,524	Industrial	Lease
Natural Grocers	107,134	Industrial	Lease
Merrick & Company	103,318	Office	Lease
Electrolux Home Products	71,820	Industrial	Renewal
Raytheon	70,660	Office	Renewal
Temple Inland	57,200	Industrial	Renewal
BonaKemi	37,014	Office	Renewal

Vacancy Rate



Average Rental Rates

CBD	Q3 2011	Q4 2011	Q1 2012
Class A Office	\$28.16	\$27.79	\$28.01
Class B Office	\$20.14	\$20.09	\$20.99
Suburban	Q3 2011	Q4 2011	Q1 2012
Class A Office	\$22.20	\$22.46	\$22.57
Class B Office	\$17.34	\$17.54	\$17.79
R&D	\$6.64	\$6.62	\$6.62

