

Denver, Colorado

Tenant's Guide ■ North American Markets ■ Second Quarter 2010

Overview

The Denver office market ended the second quarter of 2010 with a vacancy rate of 14.2%, down from the previous quarter's rate of 14.4%. Net absorption for the quarter totaled a positive 1,014,983 SF, and vacant sublease space decreased to 69,816 SF. The average rental rate for all classes of office space increased to \$20.04/SF, from \$19.96/SF last quarter.

Market Trends

- Activity is up significantly. Tenants are recognizing that Denver is close to the bottom of the market and are attempting to take advantage of the market conditions.
- The unanswered question is what the banks are going to do about the commercial loans that are coming due in 2011 and 2012. Many of the properties are upside down and will need additional equity to refinance.
- Metro Denver markets have begun to stabilize. Many of the subleases are being absorbed, and the vacancy rate is no longer increasing.
- Landlords are continuing to keep rates up to the best of their ability, giving as much free rent and tenant improvements dollars as they can, to reduce the downward rental rate pressure by the tenants.

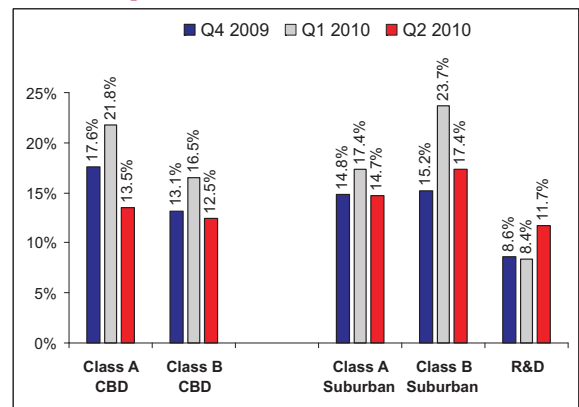
Tenant's Perspective

Tenants need to get started earlier and have a great strategy. Landlords try to create leverage by making tenants feel comfortable and convincing them to procrastinate. The longer a tenant waits, the better the chance the landlord has to keep them - at a higher rate with fewer upfront costs. A landlord's homerun is the unrepresented existing tenant that has not leveraged the market.

Major Transactions

Tenant/Buyer	Size	Type	Lease/Sale
REMAX	180,000	Office	Sale
United Launch	167,917	Office	Lease
United Launch	144,201	Office	Lease
Vail Resorts	122,000	Office	Lease
eCollege	96,927	Office	Lease
HealthGrades	86,884	Office	Lease
United Launch	71,006	Office	Lease
Denver Hardwoods	66,780	Industrial	Lease
Superior Well Services	61,588	Industrial	Lease
Tri-County Health	56,350	Office	Lease

Vacancy Rate



Average Rental Rates

CBD	Q4 2009	Q1 2010	Q2 2010
Class A Office	\$27.51	\$26.84	\$29.27
Class B Office	\$19.73	\$20.75	\$20.55

Suburban	Q4 2009	Q1 2010	Q2 2010
Class A Office	\$22.07	\$21.39	\$21.63
Class B Office	\$17.93	\$16.46	\$17.31
R&D	\$6.10	\$6.05	\$8.26

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