Where have we been?
Where are we now?
Where are we going?
WHERE HAVE WE BEEN?

2013 Year End Quick Stats

- ↓ Vacancy across all markets
- ↑ Rental rates across all markets
- ↑ New construction across all markets

- Market wide absorption = 1.5 Million SF
- Market wide vacancy = 13.5%
- 64% of all absorption was in Southeast Denver

Source: CBRE Research
WHERE HAVE WE BEEN?
Denver Economy Displays Strong Signals

37,810
Jobs added in Denver Metro (2013)

3.0%
Increase in retail sales (Q4 2013 vs Q4 2012)

6,879
Metro single-family home starts: up 142% since 2009, about 30% annually (2013)

31,660
People moved to Denver metro in 2013

+2.8%
GMP growth in 2013

Source: Moody’s Data Buffett

DENVER or BUST

CBRE | DENVER | Q2 2014
WHERE ARE WE NOW?

Market Breakout

- **Southeast**
  - Vacancy ↑ Rates ↑
    - Capital Markets Activity
    - Telecommunications Vacancy

- **Downtown**
  - Vacancy ↑ Rates ↑
    - Demand from Energy Firms
    - Anticipation of Union Station Impact
    - New Construction Pricing in LoDo

- **Northwest**
  - Vacancy ↓ Rates ↓
    - Landlords Loosening in Lease Negotiations

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<thead>
<tr>
<th>MARKET STATISTICS</th>
<th>2013</th>
<th>Q2 2014</th>
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<tbody>
<tr>
<td>Direct Vacancy Rates – Denver Metro</td>
<td>13.5%</td>
<td>13.4%</td>
</tr>
<tr>
<td>Direct Asking Lease Rates – Denver Metro</td>
<td>$22.20</td>
<td>$22.53</td>
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<tr>
<td>Direct Vacancy Rates – Southeast</td>
<td>10.8%</td>
<td>11.0%</td>
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<tr>
<td>Direct Asking Lease Rates – Southeast</td>
<td>$21.08</td>
<td>$22.26</td>
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<tr>
<td>Direct Vacancy Rates – Downtown</td>
<td>11.7%</td>
<td>12.4%</td>
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<tr>
<td>Direct Asking Lease Rates – Downtown</td>
<td>$30.00</td>
<td>$30.57</td>
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<tr>
<td>Direct Vacancy Rates – Northwest</td>
<td>20.6%</td>
<td>19.7%</td>
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<tr>
<td>Direct Asking Lease Rates – Northwest</td>
<td>$24.66</td>
<td>$24.64</td>
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<tr>
<td>Metro Absorption (SF)</td>
<td>1,423,534</td>
<td>829,360</td>
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WHERE ARE WE GOING?
Supply vs. Demand Predictions

- **Southeast**
  - Asking Rent Rates ↑ Absorption ↑
    - Demand from Financial Services
  - Capital Markets

- **Downtown**
  - Asking Rent Rates ↑ Absorption ↑
    - Demand from Energy Companies
  - Bakken Shelf

- **Northwest**
  - Asking Rent Rates -- Absorption ↑
    - Aircell takes occupancy in September
  - Boulder Labor Force

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<thead>
<tr>
<th></th>
<th>Southeast</th>
<th>Downtown</th>
<th>Northwest</th>
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<tbody>
<tr>
<td><strong>Current Activity</strong></td>
<td>5,000,000</td>
<td>3,509,781</td>
<td>500,000</td>
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<tr>
<td><strong>Current Absorption YTD</strong></td>
<td>(42,498)</td>
<td>127,668</td>
<td>34,384</td>
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<tr>
<td><strong>New Construction YTD</strong></td>
<td>883,500</td>
<td>675,148</td>
<td>26,220</td>
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<tr>
<td><strong>Est. Average Rates</strong></td>
<td>$23.15</td>
<td>$31.79</td>
<td>$25.27</td>
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</table>
WHERE ARE WE GOING?

WHY?

INFRASTRUCTURE INVESTMENT

$10.6 Billion

FasTracks - $7.4B
DIA Transit Center and Hotel - $554M
TREX - $1.7B
Union Station Redevelopment - $1B
WHERE ARE WE GOING?

WHY?

LABOR

- Denver is 2nd in influx of Millennials (ages 25–34) between 2009 – 2012
- Colorado was 5th fastest growing state 2012-2013
- Colorado Net Migration strongest from California, Massachusetts, New York

WHY?

- Lifestyle
- Domino Effect
- Job Opportunities
WHERE ARE WE GOING?

Forecast

TRENDS

• Increased parking ratios needed in suburban markets

• Emphasis on culture/location/workplace vs. cost

• Continued capital markets activity driving lease rates

• Continued construction price increases leading to lower TI buying power
WHERE ARE WE GOING?

Forecast

BOLD PREDICTIONS FOR NEXT 12 MONTHS

- $35/SF FSG Lease Rate in New Construction in Southeast Denver
- $50/SF FSG Lease Rate in New Construction in Downtown Denver
- Major Headquarter Relocation to Metro Denver
- Large M&A Effecting a Major HQ Company in Colorado