1985 Denver Office Vacancy Rate – 25.1%
1998 Denver Office Vacancy Rate – 5.4%

2009 Denver Office Vacancy Rate – 16.4%
WESTERN REGION | Office Market Comparisons

DENVER METRO OFFICE MARKET CONDITIONS | 2nd Quarter 2010

- It is likely that the greatest challenges are behind us and commercial real estate fundamentals are showing encouraging signs of stabilization.
- Coupled with 465,491 square feet (SF) of positive absorption metro wide in the second quarter, the direct vacancy rate decreased slightly to 16.2%.
- Lease economics are still favoring the occupier side as increases in offered tenant incentives, including free rent and free parking remain commonplace.
- New construction remains very limited due to lack of available financing and demand.
- A handful of large deals have been signed that will improve absorption and occupancy levels later in the year as well through 2011 as these tenants take possession.

Denver Metro Office Quick Stats

- Direct Vacancy 16.2%
- Overall Lease Rates $20.25
- Class A Rates $23.66
- Construction 313k
Tenants are seeing the current economic situation as an opportunity to upgrade to higher quality space or consider moving to the CBD, while others are locking in renewals at favorable rates with concessions.

- Vacancy in class AA buildings remains low.
- Positive activity in government, oil, financial, gas, technology and engineering industry clusters.
- There are currently a handful of large vacancies looming on the horizon in 2011 and 2012 caused by the activity of companies like Xcel Energy, Qwest, and Newmont Mining.
- 1800 Larimer, 70% of which was preleased to Xcel Energy, reached completion and delivered in the second quarter adding nearly 500,000 SF of new inventory to the Central Business District.
- Union Station development plans garnering significant attention.

**Downtown Office Quick Stats**
- Direct Vacancy: 15.6%
- Overall Lease Rates: $26.43
- Class A Rates: $28.50
- Construction: 0k

**Southeast Office Quick Stats**
- Direct Vacancy: 17.4%
- Overall Lease Rates: $18.56
- Class A Rates: $21.19
- Construction: 0k
So far in 2010, the Northwest market has experienced gains with the positive absorption of 175,191 SF. A significant disparity between published asking rental rates and proposal rates continues to be seen. Oracle could have a huge impact of vacancy and availability in the market. ConocoPhillips is actively moving through the planning process for their campus in Louisville. The only remaining major office project underway includes Central Park Tower (285,000 SF) in the Northwest submarket.

**Northwest Office Quick Stats**
- Direct Vacancy: 14.8%
- Overall Lease Rates: $19.49
- Class A Rates: $26.26
- Construction: 285k

**WHERE IS THE DENVER OFFICE MARKET IN THE CYCLE?**

- **Expansion**
  - Declining Vacancy
  - New Construction
  - Rent Growth
- **Hypersupply**
  - Increasing Vacancy
  - New Construction
  - Rent Growth Declining
- **Recovery**
  - Declining Vacancy
  - Limited Construction
  - Rent Growth Negative or <Inflation Rate
- **Recession**
  - Increasing Vacancy
  - More Completions
  - Rent Growth Negative or <Inflation Rate
THE GOVERNMENT’S ROLE IN THE RECOVERY

- Denver is the second largest base of government jobs outside of Washington D.C.

LONG-TERM SUCCESS FACTORS FOR DENVER

- Well Capitalized Ownerships (equity/interest rates)
- Strong Long-Term Fundamentals
  - Labor Force – Demographics
  - Housing
  - FasTracks – Light Rail
- Strong Out-of-State Activity, we are still very attractive compared to major coastal markets
- Future growth expected out of government, oil and gas, technology and engineering sectors
- Denver’s housing market will recover sooner than many markets around the country
- Land opportunities
- Stronger incentives being offered from the state
- Momentum from Downtown Market, Union Station and Light Rail improvements