Myth or Reality?

Presented by,

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National Director, Market Analysis
Grubb & Ellis
Myth or Reality?

- Leasing activity is picking up
Denver Leasing Activity

- Office
- Industrial

CoStar
Myth or Reality?

• Leasing activity is picking up
• Rental rates have hit bottom
Office Class A Asking Rates

- US
- Denver

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Warehouse-Dist. Asking Rates

- **US**
- **Denver**

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- Rental rates have hit bottom
- Our problem is under-demand, not over-supply
US Office Market Profile

Million SF

Absorbed
Completed
Vacant

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US Industrial Market

Million SF

Absorbed
Completed
Vacant

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Denver

- Absorption in ‘03
  - Office: -77K
  - Industrial: -325K
- Office at bottom, but rents will continue to slide in ’04
  - NW & SES post highest vacancies @ 30 & 25%
- Ind poised to recover
  - 2M SF sold to owner-users thru ’03-q3
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- Tech markets will recover last
Years Supply of Office Space*

* Years to reach 1997-Q4 vacancy w/average annual absorption = 1996-1997
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- Tech markets will recover last
- Sublease & shadow space will deter recovery
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- Lease terms are getting shorter
- Smaller tenants are more active
Other Office Market Metrics

- Average Lease Term: **Down**
  - From 66 Months to 58 Months
- Average Lease Size: **Down**
  - From 15,000 SF to 8,000 SF
- Time on Market: **Up**
  - From 5 Months to 13 Months
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- Lease terms are getting shorter
- Smaller tenants are more active
- Rising interest rates will hurt investor demand
10-Year Note

Goldman Sachs, Blue Chip Economic Indicators