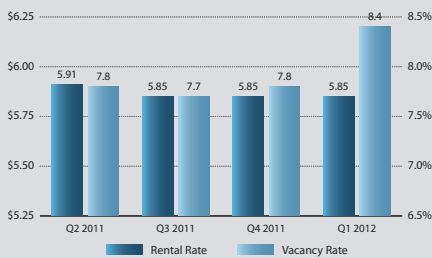




## Market Overview

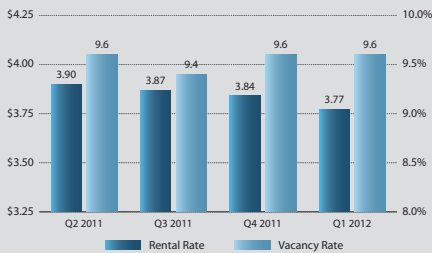
### Overall Industrial

- ▲ Vacancy 8.4%
- ◀▶ Rates \$5.85/SF
- ▲ Net Absorption 336,964 SF
- ◀▶ Construction Activity 375,859 SF



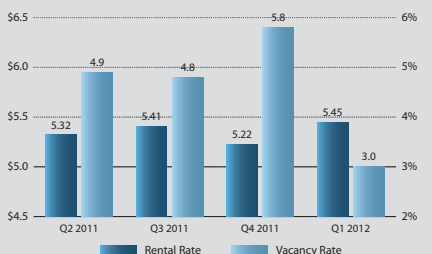
### Airport/Montbello Industrial

- ◀▶ Vacancy 9.6%
- ◀▶ Rates \$3.77/SF
- ◀▶ Net Absorption 18,146 SF
- ▲ Construction Activity 220,000 SF



### Central Industrial

- ▼ Vacancy 3.0%
- ◀▶ Rates \$5.45/SF
- ▼ Net Absorption (97,152) SF
- ◀▶ Construction Activity 0 SF



## Denver Industrial Market

Slow and steady... That is how many of the experts are characterizing the Denver Industrial market today. While our last newsletter predicted multiple large lease deals to be announced in early 2012, we are still waiting on most of them. Only a handful of large deals were completed in the first quarter, most notably the recent announcement by UNFI (United Natural Foods) and the Pauls Corporation to build a 553,000 SF food distribution facility in Aurora. This is a major expansion for UNFI who has been leasing several buildings within Gateway Park. Another large signing was by FedEx ParcelPost, who committed to lease a building within the Majestic Commercenter. Make that 2 in a row for Majestic Realty (FedEx and GE Solar), who have lowered their overall park vacancy significantly over the past few quarters. One trend we are following is the lack of large blocks of space in the market. In the Airport Montbello submarket, our largest distribution market, there are only 5 available options of buildings offering in excess of 150,000 SF, 3 of which are Class A and 2 which are considered Class B. So developers are starting to consider speculative development, although most say we need a significant jump in lease rates to make spec construction pencil out. With a few more large lease signings, landlords left with large blocks of space will be looking to raise rates significantly. While we are predicting a more active 2nd quarter, we are also forecasting "slow but steady" improvement throughout the rest of the year.

## Transactions

Lease	Tenant	Sq. Ft.	Property	Submarket
	FedEx SmartPost	200,000	Majestic Commercenter – Bldg 7	AM
	Condit Exhibits	107,524	Colorado Trade Center	CEN
	Natural Grocers	107,134	4403 Table Mtn Drive	WEST

Sale	Buyer	Seller	Property	Price
	Haleakala Ranch Co.	United Properties	Coors Tech Center (65,000 SF)	\$145/SF
	Ascendant Development	Terraden Corporation	18400 East 22nd (50,000 SF)	\$107/SF

Source: CoStar



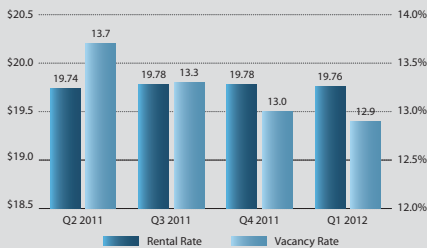
## Office Market Report

Q1 2012

### Market Overview

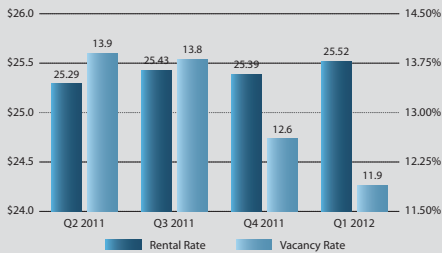
#### Overall Office

- ▼ Vacancy 12.9%
- ◀▶ Rates \$19.76/SF
- ▲ Net Absorption 488,766 SF
- ▲ Construction Activity 704,648 SF



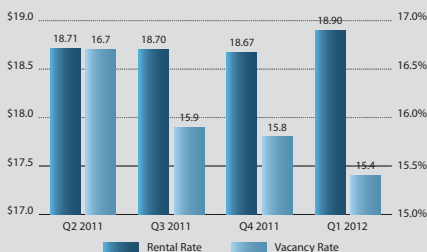
#### Downtown Office

- ▼ Vacancy 11.9%
- ▲ Rates \$25.52/SF
- ▲ Net Absorption 211,263 SF
- ▲ Construction Activity 382,000 SF



#### Southeast Suburban Office

- ▼ Vacancy 15.4%
- ◀▶ Rates \$18.90/SF
- ◀▶ Net Absorption 71,711 SF
- ◀▶ Construction Activity 0 SF



### Denver Office Market

Another quarter of positive absorption and another quarter of declining vacancy rates has been the norm thus far for over a year now and though it may sound boring, a “slow and steady” recovery is exactly what the doctor ordered. Denver’s Central Business District and Lower Downtown continue to lead the charge, while the Northwest Corridor and Southeast Suburban submarkets have experienced increased leasing activity as well over the last several quarters. The lack of available sublease space, especially downtown and in LoDo, is a true indicator of the office market’s improving fundamentals. There continues to be a lack of quality Class A office space and Class A rental rates will continue to rise with fewer landlord concessions as the pendulum swings back toward market equilibrium. The majority of the available space in the market remains in the Class B and C office market, where tenants are still enjoying below market rental rates and plenty of landlord concessions.

While 2011 ended the year with a strong surge of institutional quality investment sales, the first quarter was no different with the sale of Plaza Tower One and Terrace Tower, both located in the Southeast Suburban submarket. Institutional investors who had previously shown an affinity towards downtown Class A trophy office buildings, have now expanded their horizons to include well located suburban office properties as well. With optimism increasing amongst both local business leaders and economist alike, the remainder of the year looks to be trending upward with the energy, healthcare and technology sectors driving the demand for more office space.

### Transactions

Lease	Tenant	Sq. Ft.	Property	Submarket
	Davis Graham & Stubbs	110,000	Millennium Financial Center	LoDo
	Merrick & Co	103,318	Greenwood Corporate Plaza	SES
	ReadyTalk	47,205	1900 Sixteenth Street	LoDo

Sale	Buyer	Seller	Property	Price
	Granite Properties	Clarion Partners	Plaza Tower One (468,885 SF)	\$176/SF
	Sun Life Assurance	Alliance Commercial	Terrace Tower (242,610 SF)	\$156/SF
	Ascent Real Estate Advisors	Equity West	304 Inverness Way (134,691 SF)	\$86/SF

Source: CoStar

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