



DENVER

quarterlyREPORT

We are a Denver Based Commercial Real Estate Firm Specializing in:

Office Industrial Land Investments Tenant Representation Landlord Representation

### Denver Office Market

While the first half of the year saw robust activity primarily as a result of delayed decision making from the year before, transaction volume in the 3rd Quarter was rather slow in comparison but not unusual for the long, slow days of summer. Corporate America continues to lead the way in what has become another “jobless recovery” while local companies are still feeling the pain from the “Great Recession” that was officially declared over more than a year ago this past September. Not all is doom and gloom as several large transactions were signed recently in the Northwest corridor to help the overall market post a fourth consecutive quarter of positive net absorption and helped keep the vacancy rate relatively unchanged. Average lease rates have begun to flatten out across the market, with the possibility of Class A rates beginning to creep back up in major submarkets over the next several quarters. The investment market continues to see a slow but steady trickle of transactions, both investment grade as well as redevelopment opportunities, as money continues to sit on the sidelines awaiting the few opportunities that become available. Metro Denver’s economy is still outperforming most other markets across the nation, but job growth is sorely needed to continue the cautious optimism and momentum that carried the market through the first half of the year. It is widely believed we are in the midst of the initial stages of the recovery cycle, but there may be some bumps in the road ahead as well.

### Denver Industrial Market

With five consecutive quarters of positive net absorption in the Denver Industrial Market, it is hard to argue that we are stabilizing and poised for further improvement in the market fundamentals. As we highlighted in our last report, the budding medical marijuana industry was the source of the spike in Q2 absorption. The continued positive absorption in Q3 is an encouraging sign that the industrial market does not require “medication” to survive the national economic downturn. Tenants are hunkering down, making due with the space they currently occupy with short-term renewals; while a few smart owner/users are utilizing attractive SBA loan programs and making deals in a relatively stagnant market. All speculative construction remains on hold and developers are beginning to advertize “permit ready” projects and are actively pursuing the few build-to-suit projects in the market. The sale of the Rocky Mountain Business Center by Principal set the water mark for multi-tenant industrial transactions at an 8.3% CAP Rate at \$57/SF. This was one of the first concrete examples in the Denver market that, like the rest of the country, money is chasing Class A investment opportunities. It is still common belief that job creation is what will eventually be the engine behind a stable commercial real estate industry. A large portion our industrial market relies on the homebuilding industry and that cannot recover until people are secure in their jobs and able to obtain financing for new homes.

OFFICE	Lease	Company	Square Feet	Property	Submarket
			Williams Energy WildBlue Communications US Bureau of Prisons Key Equipment Finance	112,000 98,455 90,750 53,834	1001 17th Street Parkside Office Plaza at Inverness Cornell Business Park Superior Pointe
OFFICE	Sale	Buyer	Seller	Property (Square Footage)	Price
		Charter Realty Group Healthcare Realty Trust Karlín Real Estate Matrix Group	Development Solutions Group Development Solutions Group MediaNews Group KBR Realty Advisors	Urology Center of CO (55,100 SF) Lowry Medical Center (111,971 SF) Daily Camera Boulder (76,635 SF) Water Park (210,838 SF)	\$422/SF \$268/SF \$117/SF \$66/SF

INDUSTRIAL	Lease	Company	Square Feet	Property	Submarket
			Kwik Tek Vestas Schneider Logistic	109,000 120,000 75,000	12000 E 45th Ave 5125 Joliet St 3150 Pagosa St
INDUSTRIAL	Sale	Buyer	Seller	Property (Square Footage)	Price
		LBA Realty Genuine Parts Tiger Technologies	Principal Fort Properties Gates Corp.	Rocky Mountain Business Center (136,828 SF) 11600 E 56th Ave. (210,600 SF) 11707 E 51st Ave. (57,372 SF)	\$57/SF \$44/SF \$40/SF

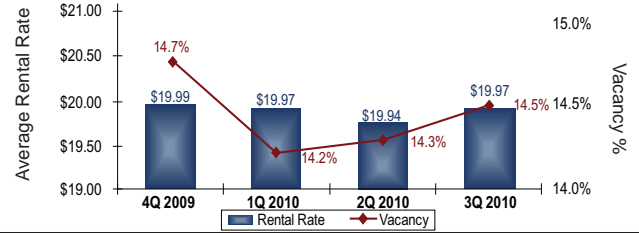


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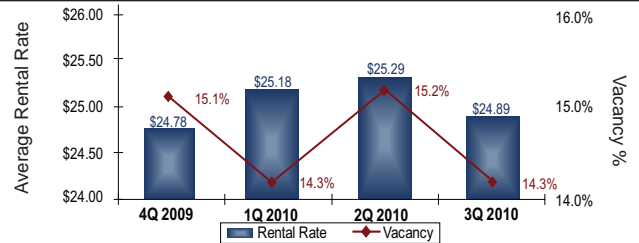
**Overall Office**

↔	Vacancy	14.5%
↔	Rates	\$19.97/SF
↓	Net Absorption	30,339 SF
↓	Construction Activity	393,596 SF



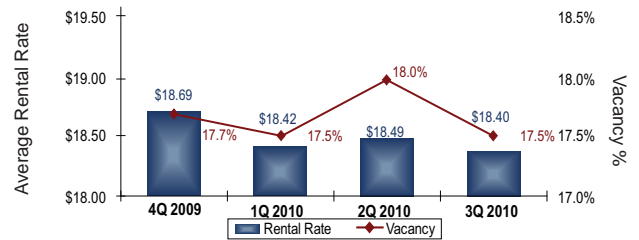
**CBD Office**

↔	Vacancy	14.3%
↔	Rates	\$24.89/SF
↑	Net Absorption	290,213 SF
↓	Construction Activity	0 SF



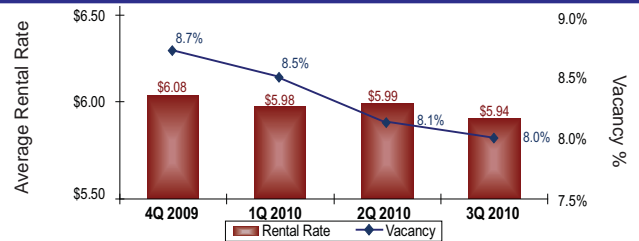
**Southeast Suburban Office**

↔	Vacancy	17.5%
↔	Rates	\$18.40/SF
↑	Net Absorption	185,801 SF
↓	Construction Activity	0 SF



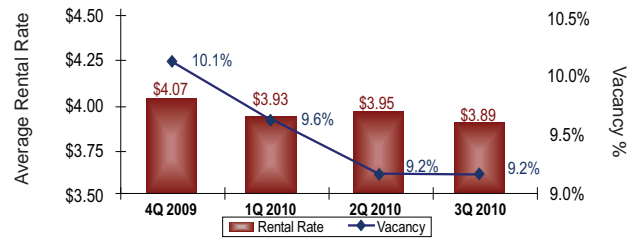
**Overall Industrial**

↔	Vacancy	8.0%
↔	Rates	\$5.94/SF
↓	Net Absorption	493,362 SF
↓	Construction Activity	51,381 SF



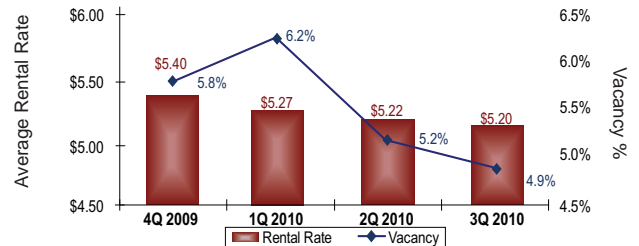
**Airport/Montbello Industrial**

↔	Vacancy	9.2%
↔	Rates	\$3.89/SF
↓	Net Absorption	9,367 SF
↓	Construction Activity	0 SF



**Central Industrial**

↓	Vacancy	4.9%
↔	Rates	\$5.20/SF
↔	Net Absorption	82,069 SF
↓	Construction Activity	0 SF



(Information contained herein, while not guaranteed, is from sources Bitzer Real Estate Partners/CORFAC International believes to be reliable.) Source: CoStar

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