



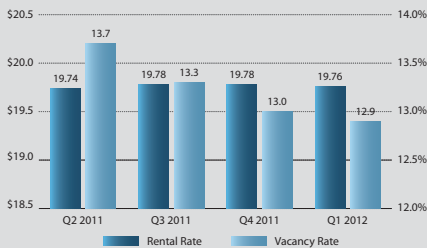
Office Market Report

Q1 2012

Market Overview

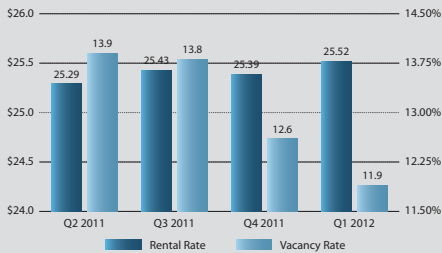
Overall Office

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



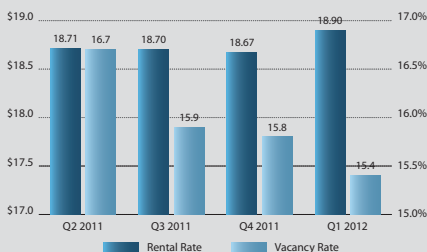
Downtown Office

- ▼ 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

Bitzer Real Estate Partners

1610 Wynkoop Street, Suite 450
Denver, Colorado 80202

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