



DENVER

quarterlyREPORT

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

Office Industrial Land Investments Tenant Representation Landlord Representation

## Denver Office Market

It sure doesn't feel like the summer of 2009. Transaction volume is up, the economy feels better even though the stock market is limping along and oil continues to flow into the gulf, and there is a general sense of optimism returning to the market. While the economic recovery thus far has been another "jobless recovery," large credit worthy tenants have led the charge in taking advantage of what may be the end of a "tenant's market." Last year's delay in making long term decisions has translated into a busy first half of the year that has seen positive net absorption, a decrease in the overall vacancy rate, and a bottoming out of rental rates. Both the southeast suburban and northwest corridor submarkets have seen an increase in activity with several large leases signed during the most recent quarter. While downtown Denver remains the market's most diverse and stable submarket with several large transactions completed recently as well, the acquisition of Qwest by Monroe, Louisiana based CenturyLink has cast a gray cloud over Denver's skyline. Qwest employs thousands of people and occupies millions of square feet in the metro area, and while the acquisition closes later this year, the impact on the local real estate market is yet to be determined. On a positive note, Denver's investment market has returned to life with the recent sale of the RE/MAX International building in the Denver Tech Center and John Madden placing his Palazzo Verdi office building on the market for sale in Greenwood Village. Institutional investors continue to see metro Denver as an attractive place to invest their money, a telling sign that Denver's real estate market is recovering more rapidly than most.

## Denver Industrial Market

The Denver Industrial Market finished the 2nd Quarter with the highest net positive absorption since 2007 at 1,750,105 SF! With four consecutive quarters of positive absorption totaling over 2.6M SF, the market appears to be showing signs of traction. As a result of this leasing activity and a continued hold on speculative construction, the overall vacancy rate has fallen from 8.6% to 8.2% this quarter. Historically when we have dramatic increases in net absorption it is a result of several large lease deals at new Class A facilities. But remarkably the two largest lease deals in Q2, Sunlight Supply and Rocky Mountain Bottle, were both under 75,000 SF, and the total square footage for the top 15 lease deals over 25,000 SF was a mere 575,000 SF. Most any industrial property owner or broker who has a sign up will tell you exactly where a good portion of the remaining 1,200,000 SF of space went... up in smoke. The emerging medical marijuana industry spiked demand for industrial properties within Denver County of all sizes during the first half of 2010 for indoor cultivation facilities. Properties from 1,000 SF – 70,000 SF were leased at often double market lease rates, with tenants putting up significant security deposits. Many of the Class C & D properties were under 10,000 SF with the growers making significant building improvements on their own dime. With a July 1st licensing deadline and a one year moratorium looming like a cloud of smoke, dispensary owners and growers scrambled to roll-up partnerships and lease or purchase properties (all cash or with seller financing). Now that the deadline has come and gone, the Denver industrial real estate market will sober up, hoping for "legitimate" businesses to start "higher-ing" again.

OFFICE	Lease	Company	Square Feet	Property	Submarket
			Webroot Software, Inc. eCollege HealthGrades, Inc.	100,000 96,927 86,844	Central Park Tower South Glenn Denver Place
OFFICE	Sale	Buyer	Seller	Property (Square Footage)	Price
			HRPT Properties Trust TA Associates Realty KBS Realty Advisors	RE/MAX International KBS Realty Advisors RREEFF America	5075 S. Syracuse St. (233,998) Union Tower (198,196) Crescent VIII (82,265)

INDUSTRIAL	Lease	Company	Square Feet	Property	Submarket
			Sunlight Supply Rocky Mountain Bottle HD Supply	73,191 70,145 65,550	3550 Odessa Way Coors Tech Center Leyden Distribution Center
INDUSTRIAL	Sale	Buyer	Seller	Property (Square Footage)	Price
			James Harrison TD Real Estate GFI Denver	Holden Marketing Krahl Construction TM Sales	5000 Lima Street (153,858) 7084 S. Revere Street (34,902) 11001 East 53rd Avenue (20,026)

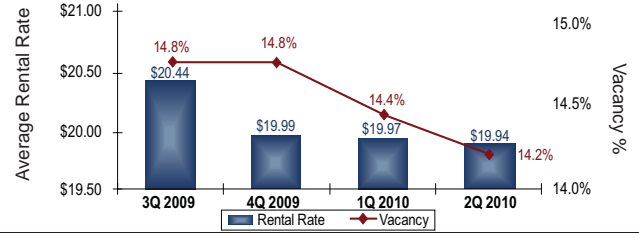


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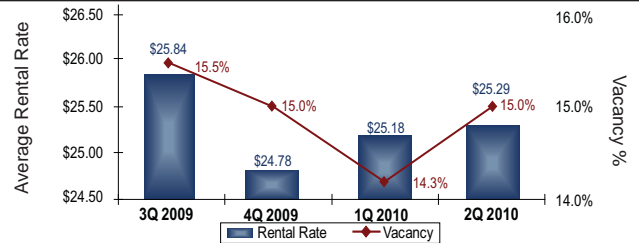
### Overall Office

↓	Vacancy	14.2%
↔	Rates	\$19.94/SF
↑	Net Absorption	604,495 SF
↓	Construction Activity	741,139 SF



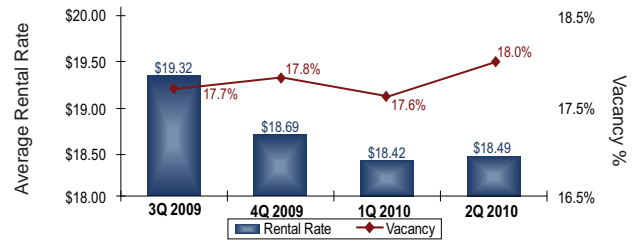
### CBD Office

↔	Vacancy	15.0%
↔	Rates	\$25.29/SF
↑	Net Absorption	412,355 SF
↓	Construction Activity	0 SF



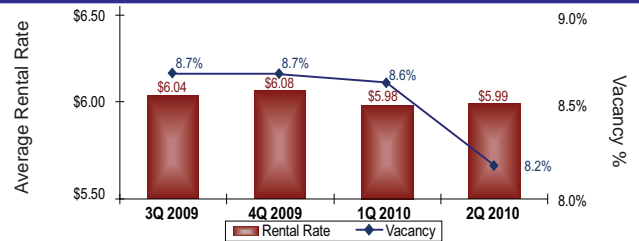
### Southeast Suburban Office

↔	Vacancy	18.0%
↔	Rates	\$18.49/SF
↓	Net Absorption	(159,306) SF
↓	Construction Activity	0 SF



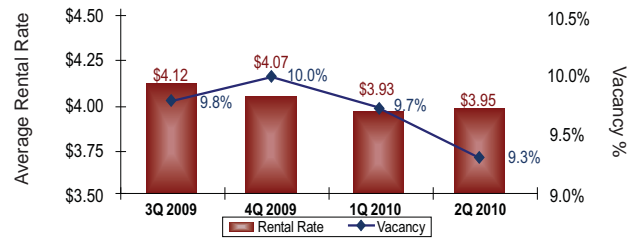
### Overall Industrial

↓	Vacancy	8.2%
↔	Rates	\$5.99/SF
↑	Net Absorption	1,750,105 SF
↓	Construction Activity	101,699 SF



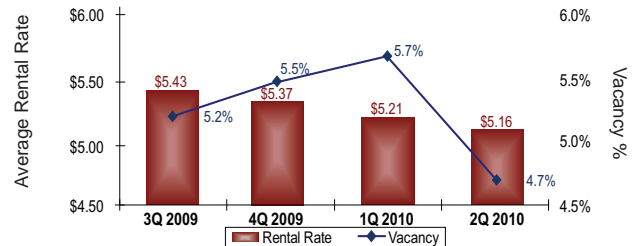
### Airport/Montbello Industrial

↔	Vacancy	9.3%
↔	Rates	\$3.95/SF
↓	Net Absorption	278,925 SF
↓	Construction Activity	0 SF



### Central Industrial

↓	Vacancy	4.7%
↔	Rates	\$5.16/SF
↑	Net Absorption	214,223 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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