2013 COLORADO OFFICE MARKET
CLEARED FOR TAKEOFF

Natasha Felten
President

November 14th, 2013
FLIGHT PLAN

• Pre-flight Checklist
  - Demand for office space in Colorado
  - Current supply characteristics of Colorado office space
  - Trends affecting office usage and users

• Take-off!
Colorado Post-Recession Job Growth

Colorado Job Growth Exceeds US Data

% of Growth Year Over Year

2009 2010 2011 2012 2013 2014

-6% -5% -4% -3% -2% -1% 0% 1% 2% 3% 4%

US CO¹

Colorado Population Increases & Job Growth

Thousands of People

2008 2009 2010 2011 2012 2013 2014

0 20 40 60 80

Natural Increase Net Migration Job Growth ²

Number of Jobs (Thousands)

0 -20 -40 -60 -80 -100

Source:
¹ US Census Bureau
² Colorado State Demography Office
Market Demand for Office Space is Growing

- Organic Expansion of Existing Users
- In Migration Attracting Out of State Firms
- New Start Ups/ New Operating Entities

Job Growth
Some Companies Driving Demand in 2013…

**Organic**
- Kaiser Permanente
- 24-7
- Intouch
- Charles Schwab
- Anthem Blue Cross and Blue Shield
- Rally Software
- Digital Globe
- Intrex Aerospace

**In Migration**
- Sunetric
- Selling Simplified
- Cool Planet Energy Systems
- Canada Goose Inc.
- Summit Materials, LLC
- MDReview
- EcoSys
- Sympoz

**New**
- Datu Health Inc.
- Ardent Mills
- Intelivideo
- SeedPaths
Office Demand Requires White Collar Jobs

Total White Collar Jobs: 1,300,000

- Other Industries, 64%
- Fastest Growing Industries, 36%

2012 Key Industry Growth

- Energy: 9.8%
- Aviation: 6.4%
- Financial Services: 4.8%
- Bioscience: 4.5%
- Healthcare & Wellness: 3.1%
- IT/Software: 3%
- Aerospace: 0.5%

Positive Absorption Results from Demand

Sustained positive absorption in Colorado for 15 consecutive quarters

Source:
C3 Aggregate Data
How Does Current Supply Meet Demand?

Total Office Space Inventory & Vacancy

Current Inventory & Vacancy by Submarket

Source: Jones Lang LaSalle Research
Colorado Office Pricing Trends

Total Office Space Vacancy & Rental Rates

Average Rents PSF by Submarket & Class

Source: Jones Lang LaSalle Research
Colorado’s Aging Office Inventory

- 88% of CBD buildings > 21 years old
- 54% of SES buildings > 21 years old
- 73% of NW buildings < 20 years old

Office Building Age

- 21-50 YRS 60%
- 11-20 YRS 24%
- 1-10 YRS 11%
- 50+ YRS 5%

Source:
CoStar Group, www.costar.com
Colorado’s Few Large Blocks

Current Class A Blocks of Contiguous Office Space

<table>
<thead>
<tr>
<th>Size Range</th>
<th>CBD</th>
<th>SES</th>
</tr>
</thead>
<tbody>
<tr>
<td>25,000-50,000 SF</td>
<td>16</td>
<td>22</td>
</tr>
<tr>
<td>50,001-100,000 SF</td>
<td>11</td>
<td>8</td>
</tr>
<tr>
<td>100,001-200,000 SF</td>
<td>7</td>
<td>2</td>
</tr>
<tr>
<td>&gt;200,000 SF</td>
<td>3</td>
<td>0</td>
</tr>
</tbody>
</table>

Source: Jones Lang LaSalle Research
*Includes vacant existing blocks and available UC/UP blocks
Colorado is in Need of New Office Product

Colorado Net Absorption & New Construction

- **Average Annual Construction**

- **Thousands of Square Feet**

- **2008**
- **2009**
- **2010**
- **2011**
- **2012**
- **2013**
- **2014**

Source: C3 Aggregate Data
Colorado’s Current Office Development

99 Sites Proposed
+/- 10.5 Million Square Feet
9.3% of Total Inventory
- 100,000+ RSF
- <100,000 RSF

10 Sites Under Construction
+/- 2.0 Million Square Feet
1.8% of Total Inventory
- 26,252-299,990 RSF
## Office Buildings Under Construction

<table>
<thead>
<tr>
<th>Building Name</th>
<th>Location</th>
<th>Size</th>
<th>Developer</th>
</tr>
</thead>
<tbody>
<tr>
<td>1601 Wewatta</td>
<td>LoDo</td>
<td>299,990 RSF</td>
<td>Hines</td>
</tr>
<tr>
<td>Park 12 Hundred</td>
<td>North</td>
<td>297,172 RSF</td>
<td>IBC Holdings</td>
</tr>
<tr>
<td>100 St Paul</td>
<td>CC</td>
<td>150,500 RSF</td>
<td>The Pauls Corporation</td>
</tr>
<tr>
<td>16M</td>
<td>LoDo</td>
<td>145,158 RSF</td>
<td>Integrated Properties Inc. &amp; Elevations Group LLC</td>
</tr>
<tr>
<td>Union Station North Wing</td>
<td>LoDo</td>
<td>109,034 RSF</td>
<td>First Century Development, LLC</td>
</tr>
<tr>
<td>Union Station South Wing</td>
<td>LoDo</td>
<td>105,974 RSF</td>
<td>East West Partners</td>
</tr>
<tr>
<td>250 Columbine</td>
<td>CC</td>
<td>89,000 RSF</td>
<td>Western Development Group</td>
</tr>
<tr>
<td>215 St Paul</td>
<td>CC</td>
<td>26,252 RSF</td>
<td>Adolph Coors Foundation</td>
</tr>
<tr>
<td>Kaiser Permanente</td>
<td>SES</td>
<td>275,000 RSF</td>
<td>Kaiser Permanente</td>
</tr>
<tr>
<td>Charles Schwab Complex</td>
<td>SES</td>
<td>562,500 RSF</td>
<td>Charles Schwab</td>
</tr>
</tbody>
</table>

**UNDER CONSTRUCTION TOTAL**  2,060,580 RSF  1.8% of Total Inventory
Trends Impacting Office Supply & Demand

- Sustainability/Infrastructure
- Technology
- Gen Y Demographic
- External Forces

To learn how to contact elected officials, click here.
Detecting Opportunities & Avoiding Threats

- **Sustainability/Infrastructure**
  - Colorado Values
  - LEED
  - DIA
  - Union Station
  - Fast Tracks
  - TODs

- **Technology**
  - Cloud
  - Mobile Devices
  - Alternative Work Spaces

- **Gen Y Demographic**
  - Unconventional
  - Social
  - Tech Savvy
  - Live/Work/Play

- **External Forces**
  - Government
  - Global Economics
  - Conflict
Colorado’s Commercial Office Market - Clear for Takeoff!

Companies and people who want to work here

Facilities that can accommodate efficient operations and user’s requirements

The ability to respond to opportunities

Good government and global stability

To soar, Colorado needs…

☑ Demand
☑ Supply
☑ Trends

Information derived from sources believed to be reliable. All content subject to independent verification by end user.