



C 3 Q U A R T E R L Y

JANUARY—MARCH 2006

COLORADO COMMERCIAL COMPANIES' 1Q-'06 OFFICE MARKET SNAPSHOT

TEAM C3:

- C3 is a Privately Held, Full Service Commercial Real Estate Firm
- C3 Currently Represents Over 900,000 SF of Third Party Agency Business; and Over 55,000 SF of Tenant Requirements

For Any Questions You May Have, Please Contact:

- Natasha Felten, President
- Matthew Ball, Associate Broker
- Rachel Polk, Marketing Assistant

Phones are Ringing and Indicators are Positive

Landlords: 2006 will mark the transition from the Tenant's market of the past five years to a Landlord's market in 2007. Throughout 2005, the CBD, Midtown/Cherry Creek, Southeast Suburban and West/Southwestern markets showed positive absorption, decreases in vacancy rates and the emergence of rental rate separation between building classes. Class A properties posted slight rate increases, while class B property rates remained flat. "Tweener" markets, like Glendale, Aurora and the Hampden Corridor, which possess a preponderance of second generation space continued to struggle with increased vacancies, negative absorption and slightly decreasing rental rates. The sentiment on the street is that Landlords are tightening their approach to deals and requiring more from prospects both in rents and securitization. Expect transactions to begin closing more quickly, with multiple proposals out on spaces and Landlords that are less concession inclined.



Tenants: 2006 will be a transitional year for tenants seeking new or additional office space. Pockets of incentives will remain throughout each submarket as owners struggle to gauge the speed of the recovery that is underway. Tenants that need additional space or have a lease expiration within the next twelve months, need to start a dialogue with their Landlord or broker. The days of waiting for a better rate are coming to an end and rates are starting to increase.

Investors: 2005 ended as the largest commercial sales year in Colorado history. Over \$3.1 billion dollars of commercial product was purchased in the Denver metro area by a mix of private and institutional investors. This sales figure buried 2004's \$2 billion dollar total by a staggering 55%. Commercial real estate continued to take its share of investor dollars from an investment market that continues to demonstrate risky stock performance and average bond performance. Overall average cap rates for Denver sales equaled 7.1%. We expect to see investment sales remain strong throughout 2006; given the Denver office market's solid absorption numbers, increased rents, continued presence of affordable debt and relatively low cap rates.

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Capitalization Rate—(Kăp' ĭ_tl_ĭ_Ză' shen Răt) n.:

A capitalization rate, or "cap rate" is the ratio between a property's net income and its cost of capital. The rate measures how fast an investment will pay for itself in net cash flows. This measure is used to evaluate the risk/return of individual real estate investments.



Colorado Commercial Companies

8101 East Prentice Avenue, Greenwood Village, CO 80111

• 303.327.5800 telephone • 303.327.5801 facsimilie • www.colocomm.com

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The Tax Man Cometh: The Energy Policy Act of 2005

At this time of year, with the new tax act, it is wise for owners of commercial property to understand the opportunities that new legislation may provide for their tax treatment of expenses related to new building construction and/or existing building upgrades.

The Energy Policy Act that President Bush signed into law in August of 2005 has wide reaching effects on commercial real estate. Many that have reviewed the legislation feel that it provides significant incentives for building owners to upgrade existing building systems, while encouraging developers to build structures with attention to energy efficiency.

Under the Act, Energy Efficient Commercial Buildings (“EECB’s”) are subject to a new deduction. The provision allows a deduction for energy efficient commercial buildings that reduce annual energy and power consumption by 50 percent compared to the American Society of Heating, Refrigerating, and Air Conditioning Engineers (ASHRAE) standard. The deduction would equal the cost of energy efficient property installed during construction, with a maximum deduction of \$1.80 per square foot of the building. In addition, a partial deduction of 60 cents per square foot would be provided for building subsystems. This legislation applies to any new or existing commercial property placed into service after December 31, 2005.

“Under the Act, Energy Efficient Commercial Buildings (“EECB’s”) are subject to a new deduction. The legislation applies to any new or existing property in service on or after January 1, 2006.”

Colorado Commercial Companies recommends that its clients seek appropriate legal and tax counsel for the projects in which they participate. For additional information on the effects of the Energy Policy Act of 2005, access the website: www.blm.gov/nhp/spotlight/epa2005/.

Featured Listing: MarketCenter—7901 Belleview Avenue, Greenwood Village, Colorado



Three Story Building with Prominent Window-line
Easy Access via Belleview Avenue or Ulster Street

Market Center at DTC is a 43,664 rentable square foot office building that provides tenants with a central DTC location. On-site amenities include a convenience store and deli; showers with lockers; and an exterior courtyard with seating. The property has abundant, free, surface parking at a ratio of 4.0 spaces per 1,000SF.

Suites include floor-to-ceiling glass window-line, full height doors, and upgraded finishes. The property’s construction also allows for some private entrances off the building perimeter, which provides office space with storefront access. Building ownership is seeking three to five year lease terms and can provide spaces to users in the 1,000-1,500SF range. Current market rates at the project are \$15.50/RSF Full Service Gross, with annual escalations.

MarketCenter caters to small to mid-size users and provides an easy to access, high identity location within walking distance to over two dozen restaurants and hotels. Building signage on Belleview Avenue provides additional opportunity for Tenant’s looking to maximize their presence in the DTC.

To access brochures and floor plans for this property, please access Colorado Commercial Companies’ website at: www.colocomm.com