

# C3 QUARTERLY

APRIL-JUNE 2007

## MARKET INDICATORS

### Colorado's New State Bird: the Crane

Colorado's second quarter 2007 office leasing and office sales figures indicate that the market is on a strong upward swing. Office leasing demand has resulted in continued decreases in vacancy rates for the Central Business District (CBD) 8.9%; and Southeast Suburban (SES) Markets 13.1%. Rental rate appreciation has filtered through the class A properties to nicer class B assets with average annual increases of approximately 20% over rates quoted in January 2006. Continued investor interest in Colorado office property has been exhibited by purchases in excess of \$2.5B year to date; a number that looks to eclipse the record 2006 sales of \$5.0B.

Colorado's thirteen consecutive quarters of positive absorption within the office market segment has resulted in the announcement of several new development projects, the first in more than ten years.

Project	SF	Developer	Delivery	Status	Description
<b>Central Business District Office Development</b>					
Sugar3	50,000	Urban Villages	2008	Under Const.	3 FI Office 6 FI Residential
1755 Blake	112,000	First Century Development, LLC	2008	Under Const.	4 FI Office 1 FI Retail
1515 Wynkoop	268,000	Hines	2008	Under Const.	7 FI Office 1 FI Retail
1400 Wewatta	400,000	Opus Northwest, LLC	2008	Under Const.	300K SF Office 50K SF Condo 50K Retail
<b>Southeast Suburban Office Development</b>					
Palazzo Verdi	285,000	John Madden Company	2008	Under Const.	Class AA High Rise
Lincoln Station	500,000	Westfield Development Company, Inc.	2008-2011	Under Const.	Mixed Use TOD

Other office projects on the planning board in the CBD include: Phase I and II of 1900 16th Street (615,000SF), 1800 Larimer Street (500,000SF), 1601 Park Avenue West (80,000SF). Projects slated for the SES market area include: Belleview Station (2,000,000SF), Village Centre (270,000SF). Tenant demand combined with national and local economic trends will determine which projects make it from the drawing board to the user.

#### TEAM C3:

- C3 is a Privately Held, Full Service Commercial Real Estate Firm
- C3 Specializes in Tenant Representation, Third Party Agency and Commercial Real Estate Investment

For Any Questions, Please Contact:

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## Lurking Tenant Issues in the Market

Denver's inventory of office space continues to diminish heading into third quarter 2007. Overall absorption was positive with approximately 1,505,000SF absorbed in the first half of the year. Most expansion has been attributed to organic growth by existing local firms.

Vacancy within the CBD and within the DTC/Greenwood Village/Meridian submarkets has steadily declined. Predictably, as supply has decreased, rates in both submarkets have increased dramatically. In some cases Tenant rental budgets are being forced to increase by 15-25%. Tenants are experiencing tougher negotiating environments as they contemplate renewal or relocation. Concessions and options are becoming more difficult to obtain, as the market shifts to favor Landlords.

**“As vacancy falls, Tenants are experiencing a tougher negotiating environment...”**

In the CBD and SES markets, as fewer large blocks of space remain, tenants that require office space in excess of 30,000SF are expanding their searches metro-wide, as opposed to focusing on one specific submarket. Alternatively these firms are being forced to negotiate short term renewals to accommodate extended delivery schedules for new building construction. Unfortunately, shorter renewals are getting harder to obtain.

As Denver's office market continues to shift at high velocity, it has become imperative for tenants to secure professional representation to navigate the ever changing environment. If you have questions about the market or the process you will go through in attaining favorable renewal or relocation terms, please give C3 a call at 303.327.5800.

*~Matthew D. Ball, Associate Broker*

### Featured Listing: Orchard One

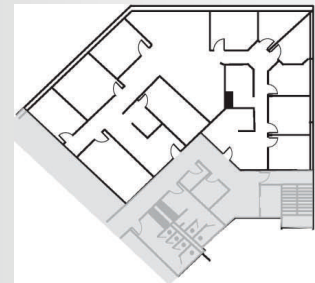
#### Mountain Views and Elevator Lobby Identity!



Excellent DTC Location



Affordable Lease Rate



Functional Floorplan

Orchard One is a Class B DTC office building providing easy access to I-25 and surrounding residential neighborhoods. The property is located in close proximity to many retail amenities, including Del Frisco's, Brooks Steakhouse, Key Bank, and a variety of other secondary retail service providers along Arapahoe Road.

Orchard One is located on the northern border of the new Greenwood Village City Center development site and is within walking distance to the Park N Ride facility at East Caley Avenue and the Yosemite fly over. The building provides its occupants with a professionally managed office environment, exterior patio areas, reserved guest parking and a vending room.

Currently, this popular DTC property has only one top floor suite available measuring 4,076 RSF. This space can be divided to approximately 1,600 RSF and provides incredible western views and a build out that includes a reception area, glass walled conference room, storage room, kitchen, three executive offices on the glass, six standard size offices on the glass and a bullpen for 6-9 modular furniture systems. The space can provide two separate distinct entries to users requiring split identity. AS IS starting lease rates for three and five year terms are \$16.00-\$16.50/SF, full service with annual escalations. Please access the property brochure and floor plans at [www.colocomm.com/listings/Or1/default.shtml](http://www.colocomm.com/listings/Or1/default.shtml) or contact our offices for additional information.