

C 3 Q U A R T E R L Y

JULY - SEPTEMBER 2007

MARKET INDICATORS

Rent Roll Roulette: To Sell or Not to Sell?

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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Third quarter office data show that Denver's Central Business District and the Denver Tech Center continue to post positive trends in rent growth and absorption. Several larger lease deals (>25,000SF) have recently been completed. In fact, 38% (629,355SF) of the top forty (1,667,090SF) leasing transactions for the year were completed in third quarter.

Office building sales numbers, indicate that Denver will post another record breaking year for sales volume. Approximately 18MM SF of office product has traded through September, compared to 20MM SF for 2006YE. Fourth quarter traditionally posts increased sales activity, as sellers wrap up dispositions for tax purposes.

As vacancy numbers continue to decline, many office building owners are attempting to sell assets before Denver's hot investment sales market cools. As worldwide capital markets have tightened, several sales, including the CBD's World Trade Center sale, have faltered. Even though some deals have derailed, it is believed that as capital markets adjust to current market conditions, pricing debt more accurately, trading activity will get back on track. Denver's fundamentals remain strong, as there is significant rent growth potential, the quality of living in the area remains unparalleled and assets are priced below replacement cost.

Many landlords have found themselves attempting to gauge how their rent rolls will weather the challenges (and limited opportunities) presented by tighter capital markets, \$100 per barrel oil prices, the fluctuating New York Stock Exchange and declining value of the Dollar. Many sellers and buyers are reviewing asset rent rolls with a more critical eye, looking for signs of instability or, conversely, strength.

Lenders, title companies and home builders have been hard hit by subprime mortgage issues. Proportionately the majority of these tenants occupy the southeast submarket, which has led to increased caution by prospective purchasers, during due diligence periods. Those building owners that have pushed for significant securitization of these leases are maintaining higher asset values.

Oil and gas companies have become market darlings, as company holdings have doubled in value over the last eighteen months. Proportionately, the majority of these firms occupy Denver's downtown core. Landlords' with these users have seen expansions and frenetic M&A activity. Savvy owners have maintained control over assignment language in these leases, so that succeeding operating entities can be

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Colorado Commercial Companies

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Estoppel Certificates



Denver's high sales volume over the past three years has resulted in many tenants receiving estoppel certificates from their landlords. Estoppel certificates provide prospective purchasers with a "snapshot" of the status of a particular asset's rent roll (tenant roster). This snapshot is important because prospective purchasers are buying the cashflow generated by leases within a property. Estoppel certificates can highlight areas of potential concern for a purchaser.


At C3 we receive many calls from clients asking for an explanation of this document.

Estoppel Certificates provide a written statement by each tenant within a property, setting forth the amount of rent payable, the term of the lease, the amount of security deposit held and, sometimes, a listing of any unfulfilled landlord obligations at the time of execution (i.e. replacement of carpet or other leasehold improvements, agreed to, but yet to be completed). These documents also usually provide a statement by the tenant that the tenant has not prepaid any rents due.


The final part of the Estoppel Certificate is an acknowledgement by the tenant that said tenant claims no offsets against the landlord *at that point in time*. If there is an outstanding landlord obligation, but it is not cited within this document, the tenant should not execute the agreement without providing the landlord with written notice of its concerns. To protect your rights as a tenant, C3 recommends that any legal document be reviewed by your real estate attorney. If you receive a document from your landlord that you do not understand, please give us a call so that we can assist you. C3 can be reached at 303.327.5800.

Bellevue Green


6900-6950 East Bellevue Avenue



Excellent North DTC Location



On-Site Management; Excellent Views



**Patios and a
4.0:1,000 Parking Ratio**

Bellevue Green is a well maintained Class B office complex that features easy access from I-25 and the surrounding Cherry Hills and Greenwood Village residential neighborhoods. The property provides users with unimpeded western views and immediate access to Greenwood Village pedestrian trails.

Bellevue Green provides tenants with access to many amenities, including Starbucks Coffee, Pappadaue's Seafood Kitchen, Cool River Cafe, Il Fornaio, Extended Stay America, the Hyatt DTC, and other retail service providers including Kinko's, Wells Fargo Bank, Dependable Cleaners and many more. Bellevue Green is south of the Bellevue Station redevelopment and is in walking distance to the Bellevue light rail stop.

The two building project caters to smaller users looking for affordable, well maintained north DTC office space. Many suites offer users patio space and elevator identities. Currently available spaces range in size from 355 RSF to 4,761 RSF. Starting AS IS lease rates are quoted at \$16.50-\$17.50/RSF, full service gross and are subject to annual escalations. On-site property management provides superior service to tenants.

Please call Colorado Commercial Companies to set a tour, or access the property brochure and floor plans at: <http://www.colocomm.com/listings/bellevuegreen/default.shtml>