



COLORADO COMMERCIAL COMPANIES

C3 Quarterly

April–June 2009
Volume 6, Issue 2
Office Edition

C3 Mission

To use our resources, experience, network and processes to find ideal real estate solutions for our clients. Our Goal is that every C3 client will use us repeatedly and refer us to others

C3 Advantage

We help our clients successfully infiltrate the exclusive network of owners, brokers, and developers that controls access to commercial property opportunities

C3 is a privately held, full-service commercial real estate firm

C3 specializes in tenant representation, third-party agency, and commercial real estate syndication

C3 Promise:

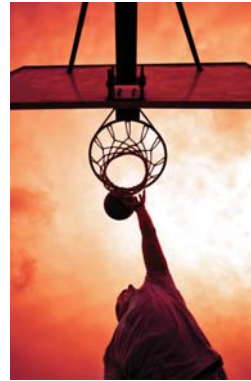
- Our work will be exceptional
- We will outperform your expectations
- We will free your time, while we save you money
- We will do what our competition promises...but doesn't deliver

Natasha Felten, President

DENVER METRO MARKET INDICATORS

When will the Colorado Market Rebound?

The Colorado commercial office market continues to show the effects of the recession that started nationally in December 2007. Denver's lagging performance and ongoing difficulties are due to the market's late entry into this cycle. Although the market is likely to remain sluggish for the next 3–4 quarters, it is believed that the region's diverse business base and reliance on rapidly growing sectors including technology, energy, and research and development will help it to rebound more quickly than many other cities.



Traditionally, the health of the commercial real estate industry relies on users demanding space, which is driven by employment and consumer spending. If unemployment is low or decreasing, companies are hiring workers who will need work space. When consumers are buying goods and services, consumer confidence is positive and revenues and sales are dynamic, driving companies to expand.



Current market conditions show unemployment at its highest number in more than two decades. Consumer confidence is low and companies are contracting. A lack of liquidity in the financial markets, combined with more stringent underwriting standards has made it more difficult for individuals and companies to borrow, which results in many firms taking a short term perspective with regard to their real estate decisions.

Weak demand and excess inventories are exerting negative pressure on rental rates. New construction has been put on hold and owners of office buildings are focusing on tenant retention and cash flow.

On the user side, there has never been a better time to sign a long-term lease or to purchase a building. Tenants with solid financials and established businesses are negotiating tenant-friendly leases which include moving allowances, cabling allowances, free rent, and significantly reduced rental rates. Purchasers with cash available to buy a facility are finding bargains on properties listed far below replacement value, as owners with cash flow problems seek disposition prior to default.

As economists track leading indicators looking for signs of recovery, it appears as though the free fall of the last 12–18 months is beginning to subside. In Denver it is anticipated that price concessions and excess inventories will continue to build through the end of 2010. Employment numbers will not begin recovering until 2011 and excess real estate inventories will have an 18–24 month absorption period, as demand begins to increase. Tenants will find good leasing opportunities, but landlords will work hard to ensure that cash flows cover expenses. Red flags include the \$1.1 trillion dollar federal budget deficit and inflationary pressures. ◀



ON THE FLIP SIDE:

- Blend and Extend for Better Lease Terms
- Sale of Orchard One Defies Market Trend
- Featured Listing: Potomac Corporate Center

Colorado Commercial Companies
1777 South Harrison Street
Suite 780
Denver, Colorado 80210
t 303-327-5800 • f 303-3275801
www.colocomm.com

BLEND AND EXTENDS—USERS HEDGE AGAINST RECOVERY, ACHIEVING BETTER LEASE TERMS

C3 Tenant Advisory

The recession has created a tenant's market, resulting in lower rental rates and increased concessions for prospects looking for office space. These conditions benefit tenants who happen to have leases that are currently expiring. However, another trend, called a "Blend and Extend" has surfaced in response to the deteriorating market dynamics. This strategy realizes current market benefits for users not scheduled to expire for two to five years.

Blend and Extends occur when tenants who are partially through an existing lease term look to renew early, at the bottom of the market cycle, as a hedge against the market improving prior to their stated renewal period. This proactive negotiation leverages the established relationship between Tenant and Landlord, allowing a tenant to extend its lease term (renew) prior to the timeframes within its lease, in exchange for a longer term. This strategy eliminates an owner's exposure to continued increases in vacancy by allowing the landlord to secure tenancy for a longer term.

A tenant broker with experience, market knowledge, and a clear understanding of a tenant's current and mid-range operating objectives can successfully negotiate an extension that blends a tenant's current lease rates (which are likely above current market numbers) with future anticipated rates (which will be discounted, based on current estimates, rather than future reality). This early negotiation also provides an opportunity to examine a tenant's lease for language that needs to be updated to better fit their current business needs, and consider whether they need to expand, reduce or reconfigure their space to create greater operating efficiency. ◀

C3 SELLS SUBURBAN BUILDING, DESPITE LACK OF CAPITAL IN THE MARKET

During second quarter, Colorado Commercial Companies (C3) sold the building located at 6143 South Willow Drive in Greenwood Village, CO. This sale qualified as one of the top ten sales transactions for the quarter, based on total sales price.

The property, which was 75% leased at the time of the sale, was purchased by an insurance company out of California, Warner Pacific Insurance Services, which plans to occupy the second floor of the property with its southeast Denver operation.



Orchard One is a four-story suburban midrise office building with 46,854SF of leased office space. The property sold for \$4,370,000, an 8.0% cap rate. The \$93.27/SF purchase price was one of the highest psf prices achieved year to date 2009 for a building at this occupancy level. ◀

C3 Featured Property

Potomac Corporate Center

6950 South Potomac Street
Centennial, Colorado 80112



Rare Full-Floor Opportunity

- Top Floor with Great Views
- Available January 1, 2010
- \$15.00-\$16.00/RSF FSG
- 3,500 - 15,266 RSF
- Elevator Lobby Identity
- Monument Signage
- Professionally Managed
- Owner Occupied
- Class A Finishes
- 4.3:1,000 Parking Ratio
- Easy Access to I-25, E-470, Parker Road & Arapahoe Road

View this property at:
www.colocomm.com/listings.shtml