COLORADO COMMERCIAL COMPANIES

# C3 Quarterly

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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 investments

## 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

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## MARKET SNAPSHOT: Through the Commercial Real Estate Lens

Users and owners of Colorado commercial real estate entered the New Year with cautious optimism and an understanding that the market has significant losses to regain over the next 18 to 24 months.

### Absorption

First quarter 2010 marked the first quarter of positive absorption for the office sector since third quarter 2008. Given the indications that Colorado is in the midst of a "jobless" recovery, maintaining positive trends in absorption may prove challenging, as absorption is driven by demand for new space. It is likely that absorption trends will fluctuate quarter over quarter for the next year, as larger users attempt to leverage the best possible economics for longer term leases. Landlords will continue to battle one another with concessions and creative deal structures resulting in tenant swaps between submarkets and between buildings within submarkets. This shell game will keep absorption numbers flat (or somewhat volatile) when comparing submarket to submarket.

Although Colorado continues to post slightly increasing unemployment numbers (7.8%), Brokers express that the number of active users in the market continues to increase. Time will tell if the worst is behind us.

### New Construction

Anemic lease rates and the sluggish activity posted in calendar year 2009, translate to minimal construction activity in 2010. New product starts are dominated by user build to suits. Limited deliveries of speculative product will have the net effect of shortening the length of the recovery cycle and hastening the stabilization of commercial real estate fundamentals. Minimal user demand, stringent lending guidelines, limited access to capital and declining asset values will continue to curtail new development for the foreseeable future.


### Sales

The slumbering sales market has shown signs of awakening in 2010. Four significant sales were closed in first quarter totaling approximately $70M (National Park Service Building, Lakewood, CO; West End Plaza, Boulder, CO; Park Meadows Corporate Center I, Lone Tree, CO; Rangeview Two, Loveland, CO). Increased sales activity will provide critical comparable data to lenders and users hoping to effectively value assets coming out of free fall.

A bottleneck of maturing Commercial Mortgage Backed Securities (CMBS) will continue draining maturing loans from bank balance sheets into the market over the next 24-48 months. Given decreases in asset values of 20-40%, refinancing these loans will require increased equity contributions from owners or revaluation by lenders, or both. Foreclosures continue to rise.

Significant opportunities for value acquisitions will exist for cash flush speculators and users seeking product at or below replacement values.

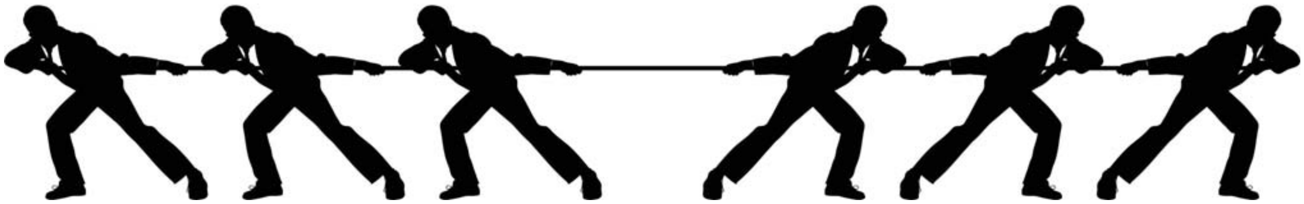
ON THE FLIP SIDE:
· Market Snapshot Continued
· Featured Listing: Lake Plaza Center

## Rents, Vacancy & Closing Cycle

Rental rates continue to settle and vacancies are still ticking up slowly throughout pockets of the market. Average lease rates fell slightly as nine of fourteen major Colorado submarkets experienced decreases in average asking rates during the first quarter 2010. Class A rates averaged +/-$23.86/SF; Class B rates remained relatively flat at $18.07/SF and Class C rates showed slight gains at +/-$14.56/SF. Vacancies posted 15.3% for Class A projects; 14.9% for Class B product and 10% for Class C sites. Although it seems as through the downward slide is tapering toward flatness, landlords continue to lower lease rates and concessions abound.

Recession hardened owners shift their focus to longer term survival strategies; emphasizing occupancy and revenue generation over achieving unattainable proforma face rates. Less focus is placed on year one and two lease rates for any given term, and more scrutiny is given to tenant mix and the financial strength and operating history posted by each prospective user.

Increased caution by both parties in transactions results in lease dialogues that take extended periods to finalize. Tenants delay the process while evaluating a myriad of alternatives, while Landlords attempt to preserve later term lease value through multiple rounds of negotiation. Both parties carefully conduct systematic due diligence related to one another's stability. Given this tug-of-war, closing cycle time-frames have increased by as much as 30-40%.



## Trends

Sublease space remains on the market for longer periods. Sublessees understand the importance of vetting sublessors, as a financially instable sublessor can result in financial ruin. Bargains are now being viewed through the lens of risk management and operational functionality, as many sublease spaces are offered by struggling sublessors, at low rates without improvement allowances.

National firms, larger users and more stable companies are taking advantage of this market correction to exercise long-term leases, locking in the lowest possible rental rates for extended periods.

Denver's most active industry sectors are aerospace, government, financial services, biomedical and telecommunications.

# Lake Plaza Center

44 Union Boulevard · Lakewood, CO 80228

### Building Features

- On-Site Property Management and Maintenance Staff
- Recently Remodeled Lobby and Common Areas
- State-of-the-Art Card Access System Provides 24/7 Security
- Updated HVAC Systems and Elevator Mechanical Systems
- Parking Ratio 4.0:1,000 SF
- New Landscaping and Monument Signage

### Site Features

- Located Within Walking Distance of Many Restaurants Banks, Hotels, and Other Services
- Views of Downtown Denver and the Rocky Mountains
- Easy Access to 6th Avenue, Downtown Denver, C-470, and I-70
- West Light Rail Under Construction

### Available Suites

| Suite | Size | YR 1 Rate* |
|---|---|---|
| 103 | ±1,201 RSF | $18.50/RSF |
| 650 | ±6,369 RSF | $18.50/RSF |

*Subject to annual escalations

This well-maintained property provides excellent identity and access to users looking to occupy a Union Square address. Building ownership provides unparalleled service to users through its on site management and engineering staff. For additional information, please access the property details at www.colocomm.com/listings/lakeplaza.