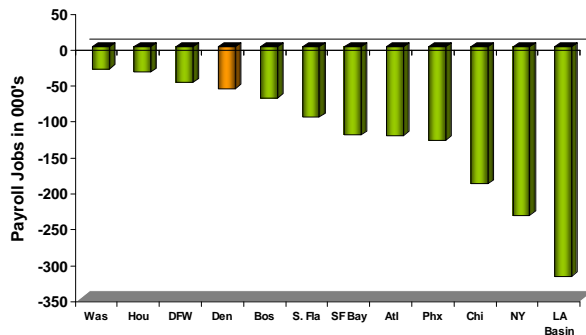


## DENVER METRO SNAPSHOT AT MID-YEAR 2009

### Local Economy: Continues to Shrink

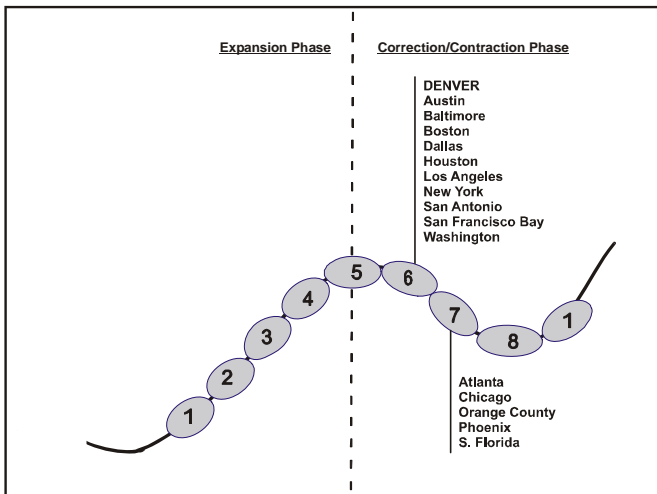
- 12-month job losses through April 2009: 57,900.
- Unemployment rate: 7.3% in April 2009, up from 4.3% a year ago. U.S. rate: 9.4% in May 2009.

Payroll Job Change  
Large Metro Areas  
12 Months Ending April 2009



Source: Bureau of Labor Statistics; June 2009.

### Office Market Cycle Position Mid-Year 2009

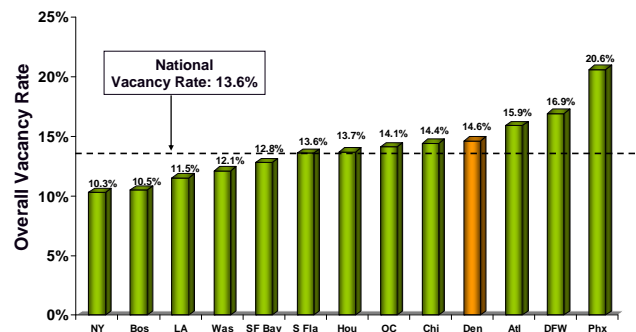


Source: Delta Associates, June 2009.

### Office Market: Contracts

- Net absorption in 2<sup>nd</sup> quarter: (248,000) SF. 1<sup>st</sup> half 2009: (229,000) SF.
- Overall vacancy rate: 14.6%, up from 14.4% at 1<sup>st</sup> quarter 2009.
- Rents: Down 3.0% in 1<sup>st</sup> half of 2009.

### Office Vacancy Rates Selected Metro Areas Mid-Year 2009



Source: CoStar, Delta Associates; June 2009.

Given the national recession, the Denver office market is in the correction phase of the market cycle, suggesting the following strategies:

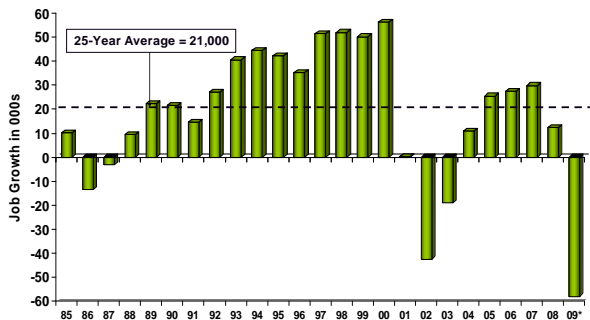
- **Tenants:** Take advantage of relative power position by renegotiating leases, signing extensions at favorable terms, or moving to better space.
- **Developers:** Look to acquire discounted assets for redevelopment in the next cycle. Take steps to ensure future projects are "shovel-ready."
- **Investors:** Optimize performance of existing assets. Selectively pursue quality buildings in the strongest submarkets with stable tenancy. Opportunities may exist to invest in properties whose current owners are experiencing difficulties meeting financial obligations.

## THE DENVER METRO ECONOMY

### Economy: Weakening

The Denver metro continued to feel the effects of the national recession in the 2<sup>nd</sup> quarter of 2009, keeping with the national trend. Denver-Boulder Metro area payroll employment decreased by 4.1% – 57,900 jobs – over the 12 months ending April 2009. National employment contracted by 3.7% over the same period. Locally, the Government and Education/Health sectors remain relatively strong, and once again were the only parts of the metro economy to see job growth over the past 12 months. Over the same period, the Professional/Business Services sector joined the Manufacturing and Mining/Logging/Construction industries in experiencing the steepest employment declines.

### Job Growth Denver-Boulder Metro 1985 – 2009



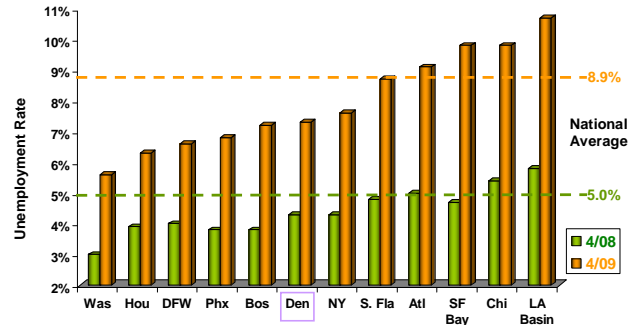
Source: BLS, Delta Associates; June 2009.

\*12 months ending April.  
Note: Figures reported in this chart are annual average job growth

The region's unemployment rate rose to 7.3% in April 2009, up from 4.3% a year ago. The national unemployment rate was 8.9% in April 2009, rising to 9.4% in May.

Meanwhile, the Colorado Business Conditions Index, as reported by Creighton University, rose to 44 in May 2009, its highest level this year, up from 38 in April. Despite the short-term rise, a level below 50 indicates that the regional economy is still contracting.

### Unemployment Rates Large Metro Areas April 2008 vs. April 2009



Source: Bureau of Labor Statistics; June 2009.

Metro Denver's core industries at mid-year 2009:

- **Financial, Professional and Business Services** continue to be hit hard by the nationwide financial meltdown.
- The **State and Federal Government** sectors are generating new jobs, likely as a result of the recently enacted Federal stimulus programs.
- **Hospitality/Tourism** remains weakened after a winter with reduced occupancies in Denver and at traditionally attractive mountain resorts.
- The **Construction, Mining and Natural Resources** sectors continue to shrink as the real estate markets remain depressed and economic stimulus packages have yet to spur significant construction activity through public works programs.

### Core Industries Denver-Boulder CSA

Core Industries	2008 \$ (Bil)	% GRP
Financial, Professional and Business Services	\$23	18%
State & Federal Government	\$14	11%
Construction	\$10	8%
Educational and Health Services	\$9	7%
Tech/Telecom Services	\$6	5%
Manufacturing	\$6	5%
Hospitality/Tourism	\$5	4%
Transportation & Warehousing	\$4	3%
<b>Total Core Industries:</b>	<b>\$77</b>	<b>59%</b>
Other	\$54	41%
<b>Total GRP:</b>	<b>\$131</b>	<b>100%</b>

Note: Subcomponents of core industries were redefined in June 2007.  
Source: GMU Center for Regional Analysis, Delta Associates; June 2009.

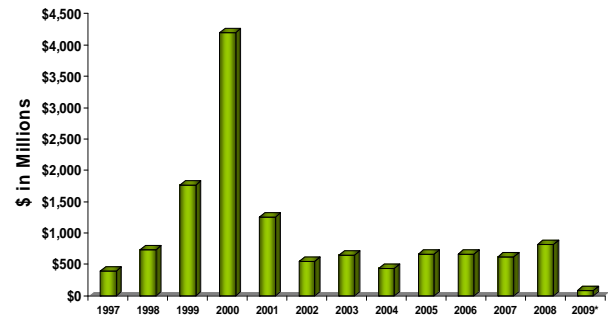
GRP = Gross Regional Product  
Totals may not add due to rounding.

The **Financial Services** sector employment declined by 5,700 jobs – 5.4% – and the **Professional and Business Services** sector has shed 18,900 jobs – 7.7% – in metro Denver in the 12 months ending April 2009. The well-publicized bankruptcy filings by auto giants General Motors Corp. and Chrysler LLC will eventually lead to the closure of numerous dealerships in Colorado and significant job loss. GM could close as many as 15 dealerships in Colorado, with Chrysler closing at least an additional 12. Following the recent industry trend, Denver-based REIT DCT Industrial Trust is looking for ways to raise money and cover debt obligations. To do so, DCT is offering an additional 22.5 million shares to the public, hoping to raise close to \$100 million.

In a move to raise money for a sweeping \$550 million package of civic improvement projects, the city and county **governments** of Denver have started to sell general-obligation bonds to the public. The funds generated will go toward the “Better Denver” initiative, which includes projects to improve the Denver Art Museum, the Denver Zoo, Boettcher Concert Hall, and other upgrades to the city’s infrastructure.

Employment in the **Tech/Telecom/Information** industry continued to shrink, and was down 2,900 jobs – 5.0% – for the 12 months ending April 2009. Job data notwithstanding, a few positive signs are starting to come out of this sector. First, thin-film solar panel manufacturer Ascent Solar recently opened its new corporate headquarters in Thornton, where it plans to add up to 200 jobs over the next two years as it looks to expand its flexible, thin-film solar technology. Additionally, Greenwood Village-based WiesnerMedia acquired *Pittsburgh Magazine* and its satellite publications in an effort to build a regional media company and expand its market-share. Finally, Denver-based telecom giant Qwest has turned down several bids to acquire its long-haul network, reinforcing its market position and ability to deliver large volumes of voice and data between major cities.

### Venture Capital Invested in Colorado Firms 1997 – 1<sup>st</sup> Quarter 2009



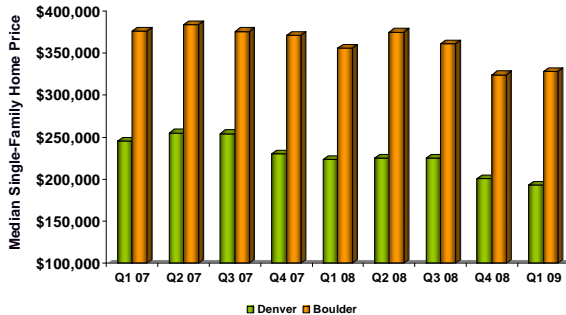
Source: PricewaterhouseCoopers, Delta Associates; June 2009.

\*As of 1<sup>st</sup> quarter 2009.

Colorado firms raised \$77 million in **venture capital** in the 1<sup>st</sup> quarter of 2009, compared to a revised \$163 million in the 4<sup>th</sup> quarter of 2008 and \$287 million in the 1<sup>st</sup> quarter of 2008, according to the latest PricewaterhouseCoopers’ MoneyTree report. Currently, the Information and Medical Devices/Equipment industries are attracting the majority of private investors. Notably, Longmont-based IT firm Copan Systems, Inc., a virtual data storage firm, received \$19 million from a consortium of investors including Credit Suisse Private Equity. Additionally, orthopedic biologic developer CeraPedics Inc. secured \$15 million during the 1<sup>st</sup> quarter from NGN Capital LLC and OrbiMed Advisors.

The median sale price of an existing single family home in the Denver Metro area was \$192,900 at the end of the 1<sup>st</sup> quarter of 2009, down 13.7% from one year earlier, according to the National Association of Realtors. According to RealtyTrac, **foreclosure** filings in the Denver metro area declined nearly 46% during the 1<sup>st</sup> quarter of 2009 when compared to the same period in 2008. Moreover, RealtyTrac reported that Denver had a total of 7,250 properties in some stage of the foreclosure process, or one for every 144 households – meaning that Denver registered the 60<sup>th</sup>-highest foreclosure-filing rate out of the 203 U.S. urban areas surveyed during the 1<sup>st</sup> quarter. The suspension of foreclosure sales on eligible mortgages as part of the Obama administration’s *Making Home Affordable* plan may have contributed to the drop.

## Median Single-Family Home Price Denver/Boulder Metro Area 2007 – 1<sup>st</sup> Quarter 2009



Source: National Association of Realtors; Delta Associates; June 2009.

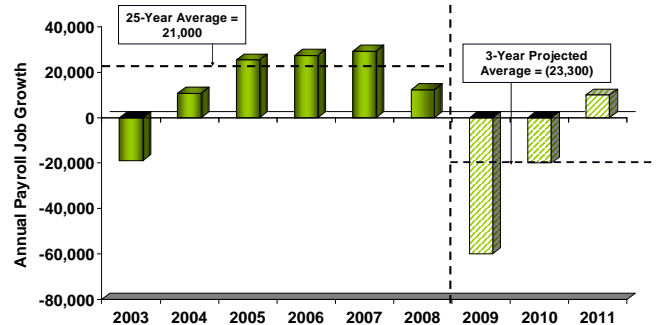
The **Hospitality/Tourism** sector lost 3,900 jobs, or 2.7%, in the Denver metro for the 12 months ending April 2009. Fewer tourists are coming to the area, as Denver-based Frontier Airlines reported that it carried 12.3% fewer passengers in May than it did the same month last year. Frontier, the second-largest airline at Denver International Airport and currently under Chapter 11 bankruptcy protection, also reported passenger counts were down 12.6% for the year-to-date through May, when compared to 2008 volume. Additionally, fewer tourists enjoyed Colorado's mountain resorts this past winter, as Vail Resorts Inc. reported that its profits dropped 29% in its most recent fiscal quarter ending in April, compared to the same time last year. Specifically, Vail pointed to drops in lift-ticket revenue, skier visits, and dining and retail revenue as contributing to the profit decline.

## THE DENVER METRO ECONOMIC OUTLOOK

The Denver metro economy has lost 57,900 jobs in the past 12 months. The region's job market is contracting along with the national economy, and the rate at which jobs are being lost has quickened from one quarter to the next. We continue to expect further job loss throughout the metro area, and that the downturn will continue to be felt throughout most sectors of the economy for the next 12-18 months. It is possible that the recent Federal economic stimulus initiatives will foster growth through civic programs; if successful, these programs would likely create jobs in the Government and Construction sectors.

We continue to expect that Denver metro job growth will be negative in 2009 and into 2010 before it rebounds in 2011. We project average annual loss of 23,300 jobs per year through 2011 – well below the long-term average of 21,000 jobs added per year. Even with this significant job loss forecast, the Denver metro job market should not be as severely weakened by current economic conditions as many other metro areas across the country.

## Job Forecast Denver-Boulder CSA 2009 – 2011



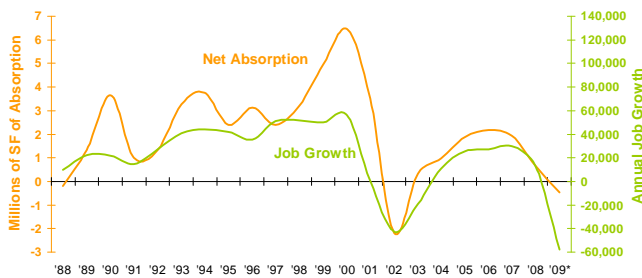
Source: BLS, Delta Associates; June 2009.

## THE DENVER METRO OFFICE MARKET

### Office Market: Softening

Metro Denver office market conditions continued to weaken in the 2<sup>nd</sup> quarter of 2009, as continued job loss kept demand for office space low. The vacancy rate edged up, and average rents slipped further as tenants looked to consolidate their relative power position.

### Office Absorption and Employment Denver Metro 1988 – 2009



Source: BLS, Delta Associates; June 2009.

\*12-month job growth through April; 1<sup>st</sup> half absorption annualized.

### Net Absorption: Turning Negative

Net absorption of office space totaled negative 248,000 SF in Metro Denver in the 2<sup>nd</sup> quarter of 2009, compared to positive 19,000 SF in the 1<sup>st</sup> quarter. For the year-to-date, net absorption in Metro Denver totaled negative 229,000 SF, compared to positive 255,000 SF in the 1<sup>st</sup> half of 2008. Net absorption in the 1<sup>st</sup> half of 2009 has been boosted significantly by pre-leased deliveries.

Available sublease space in Metro Denver increased by 125,000 SF in the 1<sup>st</sup> half of 2009, after growing by 371,000 SF in all of 2008. Sublease space now represents 1.3% of standing inventory.

The Denver Tech Center and CBD submarkets contracted the most this quarter, experiencing significant negative net absorption. Notably, Denver Tech Center added 100,000 SF back to the market as several sizeable blocks of space came available, including 53,000 SF at 4600 S Ulster St - Metropoint I. The few

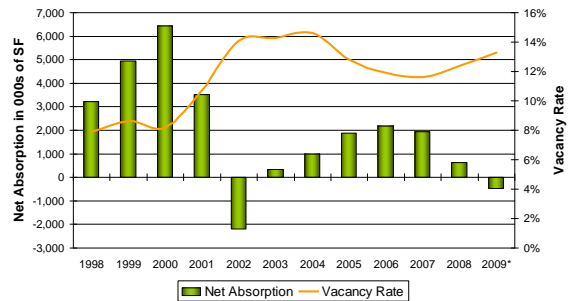
new deliveries in the 2<sup>nd</sup> quarter did boost net absorption slightly in the Metro Denver region, buffering it from even greater losses.

### Net Absorption in Select Submarkets:

#### 1<sup>st</sup> Half 2009

- Greenwood Village 238,000 SF
- CBD 131,000 SF
- Boulder 54,000 SF
- West (87,000) SF
- Denver Tech Center (288,000) SF

### Net Absorption of Office Space and Direct Vacancy Rate Trends Denver Metro 1998 – Mid-Year 2009



Sources: Vacancy – Delta Associates' analysis of CoStar data; Net Absorption – Delta Associates; June 2009.

\*1<sup>st</sup> half absorption annualized.

### Vacancy Rate: Continuing Up

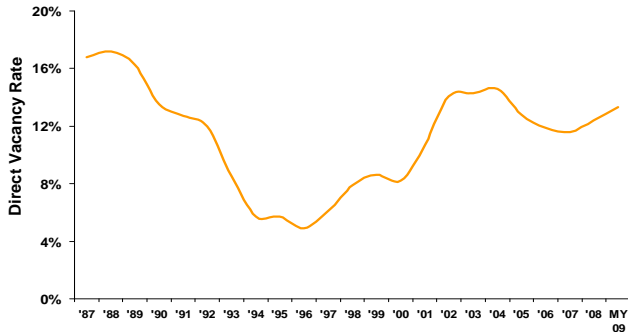
The overall office vacancy rate rose to 14.6% in Metro Denver at mid-year 2009, up from 14.4% in the 1<sup>st</sup> quarter of 2009 and 12.9% a year ago.

The direct vacancy rate is 13.3% at mid-year 2009, up from 13.1% in the 1<sup>st</sup> quarter of 2009 and 11.8% a year ago. The sublease vacancy rate has increased by 20 basis points since mid-year 2008.

### Overall Vacancy Rates in Select Submarkets:

- Denver Tech Center 17.4%
- Balance of Southeast 16.5%
- CBD 14.6%
- Northwest 13.6%

### Office Vacancy Rate Denver Metro 1987 – Mid-Year 2009



Source: Delta Associates' analysis of CoStar data; June 2009.

### Construction Pipeline: Down Over the Year

There is 1.9 million SF of office space under construction or renovation at mid-year 2009, compared to 1.8 million SF in the 1<sup>st</sup> quarter of 2009 and 4.0 million SF a year ago. Space under construction or renovation at mid-year is 39% leased, up from 29% pre-leased at 1<sup>st</sup> quarter 2009 and 31% a year ago. The construction pipeline increased during the 2<sup>nd</sup> quarter by activity in the Northwest submarket in particular, where Franklin Street Property Group broke ground on a 285,000 SF speculative office building at 385 Interlocken Crescent. We view the slight uptick in the construction pipeline as an exception to the business cycle; we do not expect the construction pipeline to experience further growth in the short term as construction starts remain limited due to difficulties in obtaining construction financing.

The Metro Denver overall vacancy rate will continue to rise over the next two years, reaching the low 17% range by mid-2011. New supply from projects currently under construction will outpace reduced demand in the coming 24 months as continued job loss diminishes the need for companies to take new and/or additional office space.

Office Space U/C and Renovation Denver Metro Area Mid-Year 2009		
Submarket	SF	% Pre-leased
CBD	955,697	41%
Northwest	285,000	0%
Balance of Southeast	220,910	14%
Aurora/Northeast	215,021	95%
Greenwood Village	200,174	59%
West	28,358	0%
<b>Total</b>	<b>1,905,160</b>	<b>39%</b>

Source: Delta Associates, CoStar; June 2009.

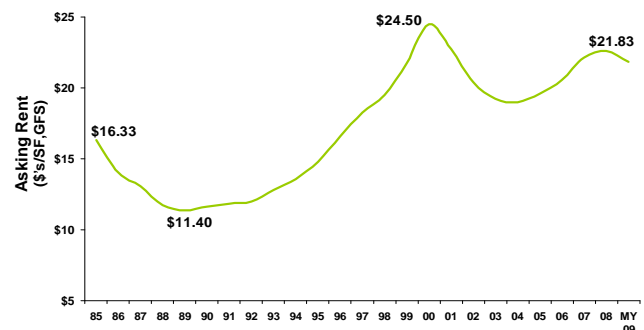
Metro Denver office deliveries totaled 1.2 million SF in the 1<sup>st</sup> half of 2009, compared to 647,000 SF in the 1<sup>st</sup> half of 2008. Space delivered in the 1<sup>st</sup> half was 61% leased upon delivery, up from 57% during the same period last year.

### Office Rents: Edging Down

Metro Denver office rents fell in the 1<sup>st</sup> half of 2009, decreasing 3.0% since the start of the year. Metro rents for Class A assets declined 3.3% in the 1<sup>st</sup> half of 2009 – a steady pace after declining 1.6% in the 1<sup>st</sup> quarter.

Rents will likely fall further throughout 2009 and into 2010 as market conditions remain soft and demand wanes.

### Average Class A Office Rents Denver Metro 1985 – Mid-Year 2009



Source: Delta Associates' analysis of CoStar data; June 2009.

### Investment Sales: Minimal Activity

We recorded investment sales volume of \$166 million in Metro Denver in the 1<sup>st</sup> half of 2009, compared to \$570 million in the same time period last year.

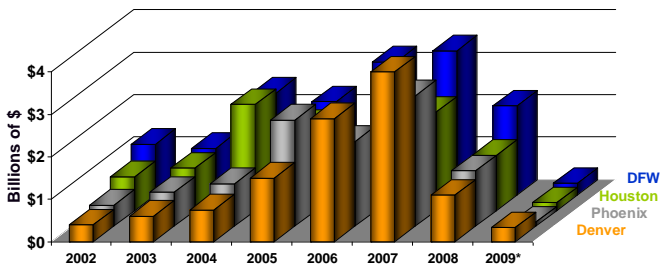
## A market report for commercial real estate executives

The Metro Denver investment sales market continues to be difficult to navigate for potential buyers and sellers, as recessionary conditions and the frozen capital markets are precluding deals.

The average investment sales price in Metro Denver was \$175/SF in the 1<sup>st</sup> half of 2009, up from \$165/SF for all of 2008. The rise in average sales price was driven primarily by the sale of 1225 17<sup>th</sup> Street, which sold for \$201/SF. Investors with cash are demanding higher returns for putting money at risk, and seem to be content to stay on the sidelines if they cannot find deals to match their investment criteria.

HRPT Properties Trust's purchase of 1225 17<sup>th</sup> Street in the CBD submarket for \$134.3 million (\$201/SF) was the most notable transaction during the 1<sup>st</sup> half of 2009, while UrbanAmerica's purchase of 755 Parfet St. in the West submarket for \$11.5 million (\$139/SF) was another notable transaction. Sales activity will remain limited in 2009. However, a potential increase in area distressed sales may boost volume later in the year or in early 2010.

### Comparative Investment Sales Volume Office Product 2002 – 2009



Source: Real Capital Analytics, Delta Associates; June 2009.

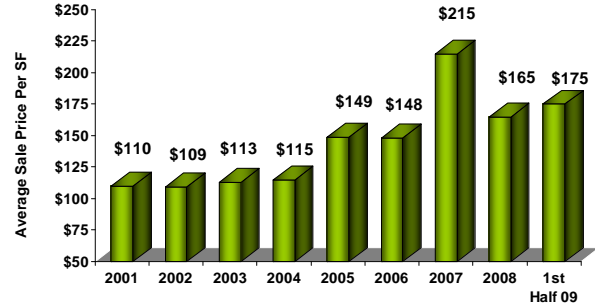
\*1<sup>st</sup> half sales annualized.

### Selected 1<sup>st</sup> Half Office Building Transactions:

Building/Submarket	Sale Price/Buyer
1225 17 <sup>th</sup> Street CBD	\$134.3 million (\$201/SF) HRPT Properties Trust
16401 E. Centretech Aurora/Northeast	\$9.5 million (\$182/SF) UrbanAmerica

Source: Real Capital Analytics; June 2009.

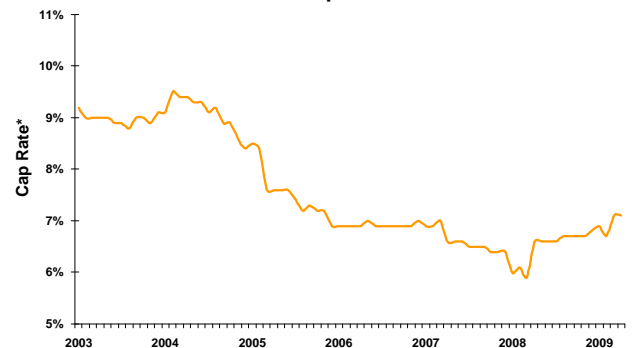
### Average Office Sale Price Denver Metro 2001 – 1<sup>st</sup> Half 2009



Source: Real Capital Analytics, Delta Associates; June 2009.

Expected returns for buyers of core office assets in Metro Denver edged up to 7.1% in the 2<sup>nd</sup> quarter of 2009 on a trailing 12-month basis, and have hovered in this range during the 1<sup>st</sup> half of the year. Of note, cap rate data is only for core properties and is an average of rates over the previous 12 months; cap rates were much lower this time last year than they are currently. Additionally, the bid/ask gap remains substantial, and the sample size of transactions makes it hard to establish current pricing. We expect that cap rates will likely edge up throughout the balance of 2009, as investors move further toward valuations driven by property performance rather than capital appreciation.

### Cap Rates for Core Office Assets Metro Denver 2003 – April 2009



Source: Delta Associates, Real Capital Analytics; June 2009.  
Note: Cap rate data is only for core properties, and is an average of cap rates over the preceding 12 months.

**THE DENVER METRO  
OFFICE MARKET OUTLOOK**

The Denver Metro office market will deteriorate further over the next 12 months. Continued job-loss across most sectors of the local economy will force most companies to either stand pat or reduce their space requirements, leading to an increase in the metro-wide vacancy rate. As a result of decreased demand, look for average rents to fall further as landlords take action to reinforce their tenant bases. The recent uptick in space under construction is not welcome news to a market

with rising vacancy rates, and unless the construction pipeline shrinks significantly or pre-leasing increases, it is likely that oversupply will result in the near-term. Additionally, the investment sales market will remain tight for the foreseeable future as the capital markets have yet to show significant signs of revitalization, although sales volume may increase in the second half of the year as more distressed assets come to market.

**SUMMARY OF OFFICE MARKET INDICATORS - ALL SPACE  
DENVER METRO AREA  
2006 THROUGH MID-YEAR 2009**

Submarket	June 2009			Direct Vacancy Rate at End of:				June 2009		Net Absorption (SF)				
	# of Bldgs.	Total Rentable SF All Bldgs. <sup>1/</sup>	SF Avail. Immediately All Bldgs. <sup>2/</sup>	2006	2007	2008	2nd Q 09	Vacancy Rate w/ Sublet	SF Under Constr. or Renovation	2006	2007	2008	2nd Q 09	YTD 2009
CBD	215	30,872,776	3,982,588	9.6%	10.4%	11.6%	12.9%	14.6%	955,697	611,000	661,000	(136,000)	(93,000)	131,000
Midtown	98	4,979,129	283,810	6.3%	6.8%	5.4%	5.7%	6.2%	-	(14,000)	70,000	70,000	2,000	2,000
Cherry Creek/Glendale	94	6,757,580	973,092	12.7%	13.4%	13.3%	14.4%	15.3%	-	242,000	(25,000)	119,000	(34,000)	(75,000)
Colorado Blvd./I-25	69	4,323,100	661,434	24.3%	19.0%	15.7%	15.3%	16.8%	-	(99,000)	229,000	142,000	17,000	17,000
Cherry Crk/Co. Blvd Total	163	11,080,680	1,634,526	17.3%	15.6%	14.2%	14.8%	15.9%	-	143,000	204,000	261,000	(17,000)	(58,000)
Northwest	207	10,965,128	1,228,094	11.9%	9.8%	11.0%	11.2%	13.6%	285,000	341,000	196,000	99,000	11,000	(4,000)
North	68	3,637,121	421,906	12.8%	14.0%	11.8%	11.6%	11.6%	-	63,000	(38,000)	94,000	18,000	7,000
Aurora/Northeast	173	9,611,072	1,797,270	13.6%	13.4%	17.9%	18.7%	19.1%	215,021	350,000	59,000	(292,000)	(63,000)	(6,000)
Southwest	148	6,793,429	903,526	10.9%	12.2%	12.6%	13.3%	13.9%	-	31,000	86,000	55,000	7,000	(47,000)
West	195	10,823,151	1,103,961	12.5%	9.8%	9.4%	10.2%	11.4%	28,358	(173,000)	395,000	219,000	0	(87,000)
Denver Tech Center	100	11,070,467	1,749,134	11.9%	11.5%	13.2%	15.8%	17.4%	-	185,000	265,000	(188,000)	(100,000)	(288,000)
Greenwood Village	85	7,921,145	1,093,118	16.7%	15.5%	13.4%	13.8%	16.0%	200,174	418,000	91,000	160,000	(48,000)	238,000
Inverness	57	3,913,466	551,799	11.9%	9.3%	14.2%	14.1%	14.1%	-	272,000	96,000	(17,000)	63,000	4,000
Balance of Southeast	271	17,187,012	2,698,361	9.9%	12.6%	14.4%	15.7%	16.5%	220,910	(82,000)	(321,000)	188,000	(52,000)	(175,000)
Southeast Total	513	40,092,090	6,092,411	12.0%	12.5%	13.9%	15.2%	16.4%	421,084	793,000	131,000	143,000	(137,000)	(221,000)
Boulder	209	8,044,590	756,191	13.9%	10.6%	9.2%	9.4%	10.5%	-	43,000	263,000	131,000	24,000	54,000
<b>TOTAL - Denver Metro</b>	<b>1,989</b>	<b>136,899,166</b>	<b>18,204,285</b>	<b>11.9%</b>	<b>11.6%</b>	<b>12.4%</b>	<b>13.3%</b>	<b>14.6%</b>	<b>1,905,160</b>	<b>2,188,000</b>	<b>1,936,000</b>	<b>644,000</b>	<b>(248,000)</b>	<b>(229,000)</b>
<b>Vacancy Rate With Sublet Space</b>				<b>13.2%</b>	<b>12.6%</b>	<b>13.6%</b>	<b>14.6%</b>							

1/ Includes buildings 15,000 SF RBA and greater; includes multi and single tenant buildings. Does not include buildings under construction or buildings owned by the government.  
2/ Does not include sublet space.

Note: Total number of buildings amended per CoStar.

Note: Net absorption occurs when a lease is signed, not when space is physically occupied; pre-leased space counts as net absorption when a building delivers.

Source: Inventory and Vacancy from analysis of CoStar data, Net Absorption computed by Delta Associates; June 2009.

Delta Associates, the research affiliate of Transwestern, is headquartered at:

500 Montgomery Street, Suite 600, Alexandria, VA 22314. Phone: 703-836-5700. DeltaAssociates.com

## THE DENVER METRO OFFICE/FLEX MARKET

### Office/Flex Market Pauses

The Metro Denver office/flex market paused during the 2<sup>nd</sup> quarter of 2009, recording modest quarterly growth and temporarily suspending its longer-term pattern of contraction. Net absorption totaled positive 53,000 SF in the 2<sup>nd</sup> quarter of 2009, compared to negative 145,000 SF in the 1<sup>st</sup> quarter of 2009 and negative 104,000 SF of net absorption in the 4<sup>th</sup> quarter of 2008.

### Net Absorption in Select Submarkets:

#### 1<sup>st</sup> Half 2009

- Aurora/Northeast 89,000 SF
- Northwest (3,000) SF

There is 117,000 SF of available office/flex sublease space on the market in Metro Denver, representing 0.7% of the standing inventory. Available sublease space has increased by 20,000 SF since the 1<sup>st</sup> quarter of 2009.

### Office/Flex Vacancy: Temporary Move Down

Metro Denver's overall office/flex vacancy rate edged down to 15.5% at mid-year 2009, down from 15.7% at 1<sup>st</sup> quarter but up from 13.6% a year ago. The direct vacancy rate is 14.8%, down slightly from 15.1% last quarter but up from 12.9% one year ago.

### Overall Vacancy Rate in Select Submarkets:

- Inverness 19.6%
- Aurora/NE 17.4%
- Northwest 16.0%

Even though the market has temporarily reversed course and the office/flex construction pipeline is small, we expect the office/flex vacancy rate in Metro Denver to resume its rise, moving into the mid-17% range during the next 12 months as demand for space weakens in response to the tight economic conditions.

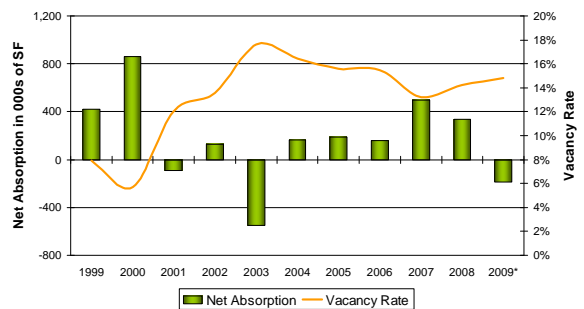
### Office/Flex Development: Minimal

There is one 227,000 SF office/flex building under renovation at mid-year 2009, compared to a total of

16,000 SF under construction at 1<sup>st</sup> quarter 2009 and 266,000 SF a year ago.

Three flex buildings totaling 68,000 SF delivered in the 1<sup>st</sup> half of 2009, compared to four buildings totaling 171,000 SF delivered in the 1<sup>st</sup> half of 2008. The space delivered in the 1<sup>st</sup> half of 2009 was 50% pre-leased.

**Net Absorption of Office/Flex Space and Direct Vacancy Rate Trends  
Denver Metro  
1999 – Mid-Year 2009**



Source: Vacancy – Delta Associates' analysis of CoStar data;  
Net Absorption – Delta Associates; June 2009.

\*1<sup>st</sup> half absorption annualized.

### Office/Flex Rents: Falling

Office/flex rents declined 0.8% in Metro Denver in the 1<sup>st</sup> half of 2009, after decreasing 0.7% in all of 2008. The average asking rent is \$8.81/SF, industrial gross.

We expect office/flex rents to continue to fall throughout 2009, as reduced demand for space translates into an increase in vacancy and relative power for the tenant.

### Office/Flex Investment Sales: Volume Limited

We recorded investment sales volume of \$67 million for office/flex space in Metro Denver in the 1<sup>st</sup> half of 2009, compared to \$101 million in the 1<sup>st</sup> half of 2008. Sales prices averaged \$136/SF in the 1<sup>st</sup> half of 2009, up from \$81/SF for all of 2008. Denver metro's year-to-date office/flex sales volume was recorded entirely in the 1<sup>st</sup> quarter, when Hines Real Estate Investment Trust was the buyer and SVN Equities the seller in a three-property portfolio transaction. Each of these properties is relatively newly-built and fully-leased, factors that likely played a part in the uptick in the average sales price at mid-year 2009 relative to 2008. The 2<sup>nd</sup> quarter saw no additional transactions recorded, as the frozen capital markets kept the sales market extremely tight.

**SUMMARY OF OFFICE/FLEX MARKET INDICATORS - ALL SPACE  
DENVER METRO AREA  
2006 THROUGH MID-YEAR 2009**

Submarket	June 2009			Direct Vacancy Rate at End of:				June 2009		Net Absorption (SF)				
	# of Bldgs.	Total Rentable SF All Bldgs. <sup>1/</sup>	SF Avail. Immediately All Bldgs. <sup>2/</sup>	2006	2007	2008	2nd Q 09	Vacancy Rate w/ Sublet	SF Under Constr. or Renovation	2006	2007	2008	2nd Q 09	YTD 2009
CBD	5	172,403	21,895	0.0%	14.4%	0.6%	12.7%	12.7%	-	(3,000)	9,000	22,000	-	(21,000)
Midtown <sup>3/</sup>	2	57,042	-	0.0%	0.2%	0.0%	0.0%	0.0%	227,802	32,000	(1,000)	1,000	-	-
Cherry Creek/Glendale	0	0	-	-	-	-	-	-	-	-	-	-	-	-
Colorado Blvd./I-25	2	55,724	-	19.8%	22.9%	0.0%	0.0%	0.0%	-	(17,000)	(3,000)	17,000	-	-
Cherry Crk/Co. Blvd Total	2	55,724	-	19.8%	22.9%	0.0%	0.0%	0.0%	-	(17,000)	(3,000)	17,000	-	-
Northwest	81	2,682,108	418,409	22.1%	16.1%	15.0%	15.6%	16.0%	-	(92,000)	154,000	309,000	(48,000)	(3,000)
North	12	368,909	95,916	25.2%	13.6%	15.1%	26.0%	26.9%	-	(28,000)	26,000	(4,000)	(7,000)	(14,000)
Aurora/Northeast	83	2,843,501	466,334	25.2%	17.1%	18.9%	16.4%	17.4%	-	141,000	44,000	(25,000)	125,000	89,000
Southwest	69	2,705,394	313,826	8.0%	7.3%	10.4%	11.6%	11.7%	-	3,000	144,000	(7,000)	(16,000)	(32,000)
West	43	1,709,322	239,305	10.9%	12.7%	14.4%	14.0%	14.9%	-	34,000	(31,000)	(29,000)	26,000	7,000
Denver Tech Center	11	454,826	105,974	10.2%	8.6%	10.9%	23.3%	23.3%	-	(9,000)	8,000	(10,000)	(13,000)	(57,000)
Greenwood Village	0	0	-	-	-	-	-	-	-	-	-	-	-	-
Inverness	34	1,274,803	235,839	19.3%	18.1%	15.8%	18.5%	19.6%	-	47,000	16,000	29,000	(48,000)	(34,000)
Balance of Southeast <sup>4/</sup>	65	2,603,129	432,119	25.6%	14.7%	19.4%	16.6%	17.0%	-	17,000	210,000	(37,000)	39,000	5,000
Southeast Total	110	4,332,758	773,932	22.6%	15.0%	17.6%	17.9%	18.4%	-	55,000	234,000	66,000	(22,000)	(86,000)
Boulder <sup>5/</sup>	66	2,434,833	248,353	8.3%	11.2%	8.7%	10.2%	11.5%	-	36,000	(80,000)	70,000	(5,000)	(32,000)
<b>TOTAL - Denver Metro</b>	<b>473</b>	<b>17,361,994</b>	<b>2,577,971</b>	<b>15.5%</b>	<b>13.2%</b>	<b>14.2%</b>	<b>14.8%</b>	<b>15.5%</b>	<b>227,802</b>	<b>161,000</b>	<b>496,000</b>	<b>336,000</b>	<b>53,000</b>	<b>(92,000)</b>
			<b>Vacancy Rate With Sublet Space</b>	<b>16.6%</b>	<b>13.8%</b>	<b>14.9%</b>	<b>15.5%</b>							

1/ Includes buildings 15,000 SF RBA and greater; includes multi and single tenant buildings. Does not include buildings under construction or buildings owned by the government.  
 2/ Does not include sublet space.  
 3/ Inventory amended per CoStar.  
 4/ 1st quarter inventory amended per CoStar.  
 5/ Inventory and 1st quarter vacancy amended per CoStar.

Note: Total number of buildings amended per CoStar.  
 Note: Net absorption occurs when a lease is signed, not when space is physically occupied; pre-leased space counts as net absorption when a building delivers.  
 Source: Inventory and Vacancy from analysis of CoStar data, Net Absorption computed by Delta Associates; June 2009.

Delta Associates, the research affiliate of Transwestern, is headquartered at:  
 500 Montgomery Street, Suite 600, Alexandria, VA 22314. Phone: 703-836-5700. DeltaAssociates.com

**National Economy & Methodology**

Please visit Transwestern.net for:

- Our National Economic Outlook
- Explanation of our methodology

**Note on data contained herein**

Our inventory, vacancy and absorption figures include owner-occupied and single-tenant buildings. We include these buildings to capture the entire market so that we may derive correlations between job growth and occupancy of inventory. Our reported vacancy rate is based on immediate availability.

© 2009. All rights reserved. You may neither copy nor disseminate this report. If quoted, proper attribution is required.

**Delta Associates**

Delta Associates, the research affiliate of Transwestern, is a firm of experienced professionals offering valuation, consulting and data services to the commercial real estate industry for over 25 years. The firm’s practice is organized in four related areas:

1. **Valuation** services for partial interests in commercial real estate assets.
2. **Consulting**, research and advisory services for commercial real estate projects, including market studies, market entry strategies, asset performance enhancement studies, pre-acquisition due diligence, and financial and fiscal impact analyses.

**Headquarters**

Gregory H. Leisch, CRE  
Chief Executive  
500 Montgomery Street, Suite 600  
Alexandria, VA 22314  
703/836-5700; Fax: 703/836-5765  
[Greg.Leisch@DeltaAssociates.com](mailto:Greg.Leisch@DeltaAssociates.com)

**Consulting and Advisory Services**

David Weisel  
President, Consulting Division  
500 Montgomery Street, Suite 600  
Alexandria, VA 22314  
703/535-3551; Fax: 703/836-5765  
[David.Weisel@DeltaAssociates.com](mailto:David.Weisel@DeltaAssociates.com)

**Government Services**

Craig Powell  
2101 Wilson Boulevard, Suite 200  
Arlington, VA 22201  
703/516-2263; Fax 703/516-2299  
[Craig.Powell@DeltaAssociates.com](mailto:Craig.Powell@DeltaAssociates.com)

**Distressed Asset Recovery Services**

David Parham  
Senior Vice President  
500 Montgomery Street, Suite 600  
Alexandria, VA 22314  
703/299-6376; Fax: 703/836-5765  
[David.Parham@DeltaAssociates.com](mailto:David.Parham@DeltaAssociates.com)

**Transwestern Support Group**

Alexander (Sandy) Paul  
President, TSG  
500 Montgomery Street, Suite 600  
Alexandria, VA 22314  
703/299-6373; Fax 703/836-5765  
[Alexander.Paul@DeltaAssociates.com](mailto:Alexander.Paul@DeltaAssociates.com)

**Cyber Contacts**

Website: [DeltaAssociates.com](http://DeltaAssociates.com)  
  
General eMailbox:  
[info@DeltaAssociates.com](mailto:info@DeltaAssociates.com)  
  
Report Author: Tom Decarlo  
Report Editor: Ann Thompson

3. **Distressed asset recovery services** to include property performance analyses and enhancement studies, debt structuring evaluation and note valuations, portfolio assembly due diligence, and litigation support.
4. **Subscription data** for selected metro regions for office, industrial, retail, condominium, and apartment markets.

*For further information about Delta Associates and to see all of our publications, please browse our web site at: [DeltaAssociates.com](http://DeltaAssociates.com).*

**Transwestern**

With 1500 team members in major markets coast to coast, Transwestern operates through six distinct functional lines of business – agency leasing, property and facility management, investment services, tenant advisory, development and research – for a broad range of property types, including office, industrial, retail, healthcare and multifamily.

In 2008, the firm completed leasing, sales and finance transactions totaling \$5.7 billion. Within that same time period, Transwestern oversaw the leasing and management of 979 properties, representing 185.7 million square feet – leased *and* managed combined.

**Denver, Colorado**

4643 S. Ulster Street  
Suite 900  
Denver, CO 80237  
303.639.3000

[kevin.mckinnon@transwestern.net](mailto:kevin.mckinnon@transwestern.net)

Kevin McKinnon	303.407.1456
David Shapiro	303.407.1466
Peter Thomas	303.407.1459
Andrew Piepgras	303.407.1457
Lyla Gambow	303.861.1404

Atlanta	Detroit	Minn.-St. Paul	Salt Lake City
Austin	Ft. Lauderdale	New Orleans	San Antonio
Baltimore	Houston	Northern Virginia	San Diego
Bethesda	Los Angeles	Orange County	San Francisco
Chicago	Miami	Philadelphia	Tulsa
Dallas	Milwaukee	Phoenix	Washington, DC
Denver			

*Transwestern Outlook is published quarterly by Transwestern and its research affiliate, Delta Associates. All information is from sources deemed reliable; however, no representation is made as to the accuracy thereof.*

Sources: Bureau of Labor Statistics, Colorado Automobile Dealers Association, CoStar, Creighton University, *Denver Business Journal*, GMU Center for Regional Analysis, National Association of Realtors, PricewaterhouseCoopers, Real Capital Analytics, RealtyTrac.