

Myth or Reality?



Presented by,

Robert Bach

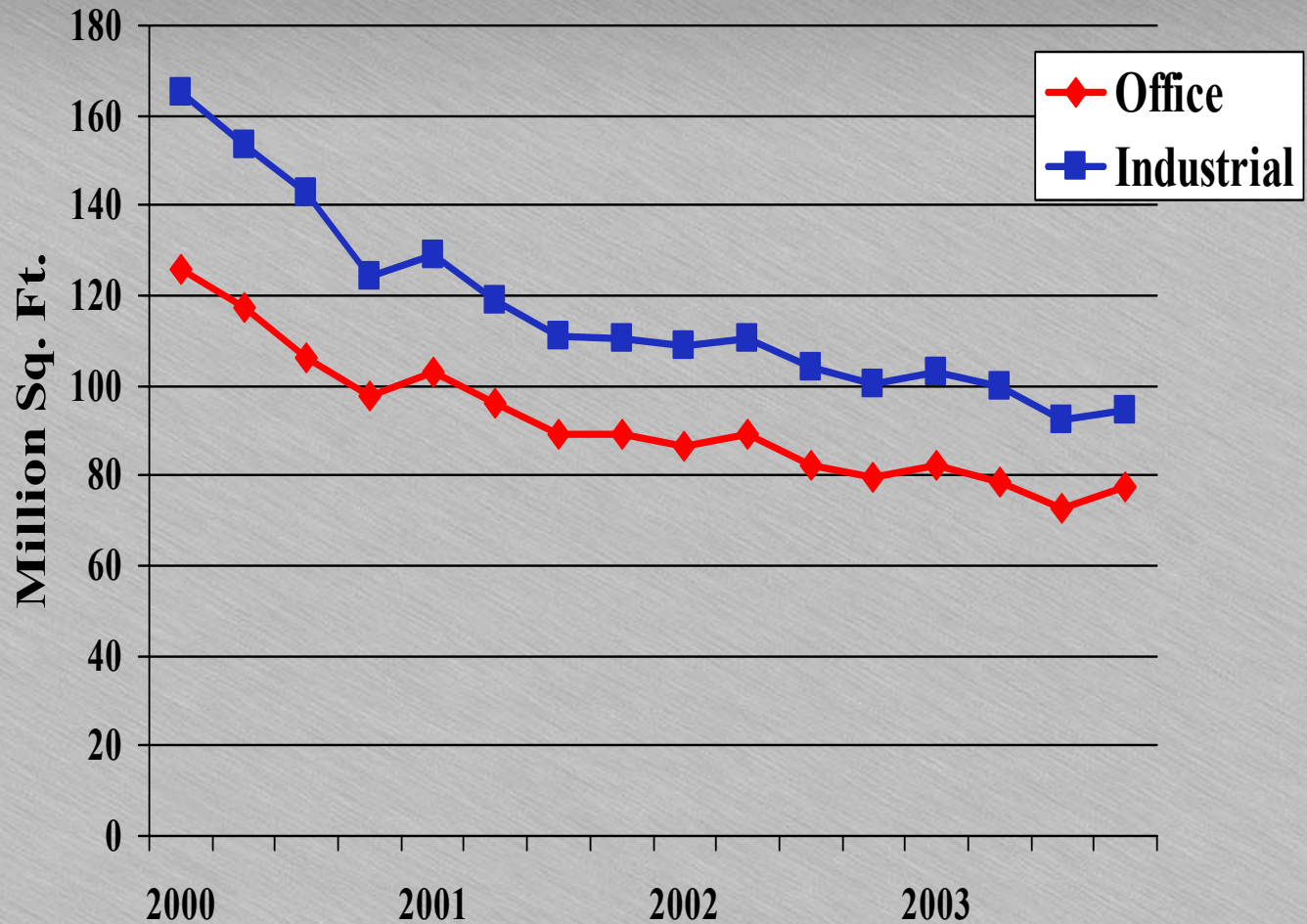
National Director, Market Analysis

Grubb & Ellis

Myth or Reality?

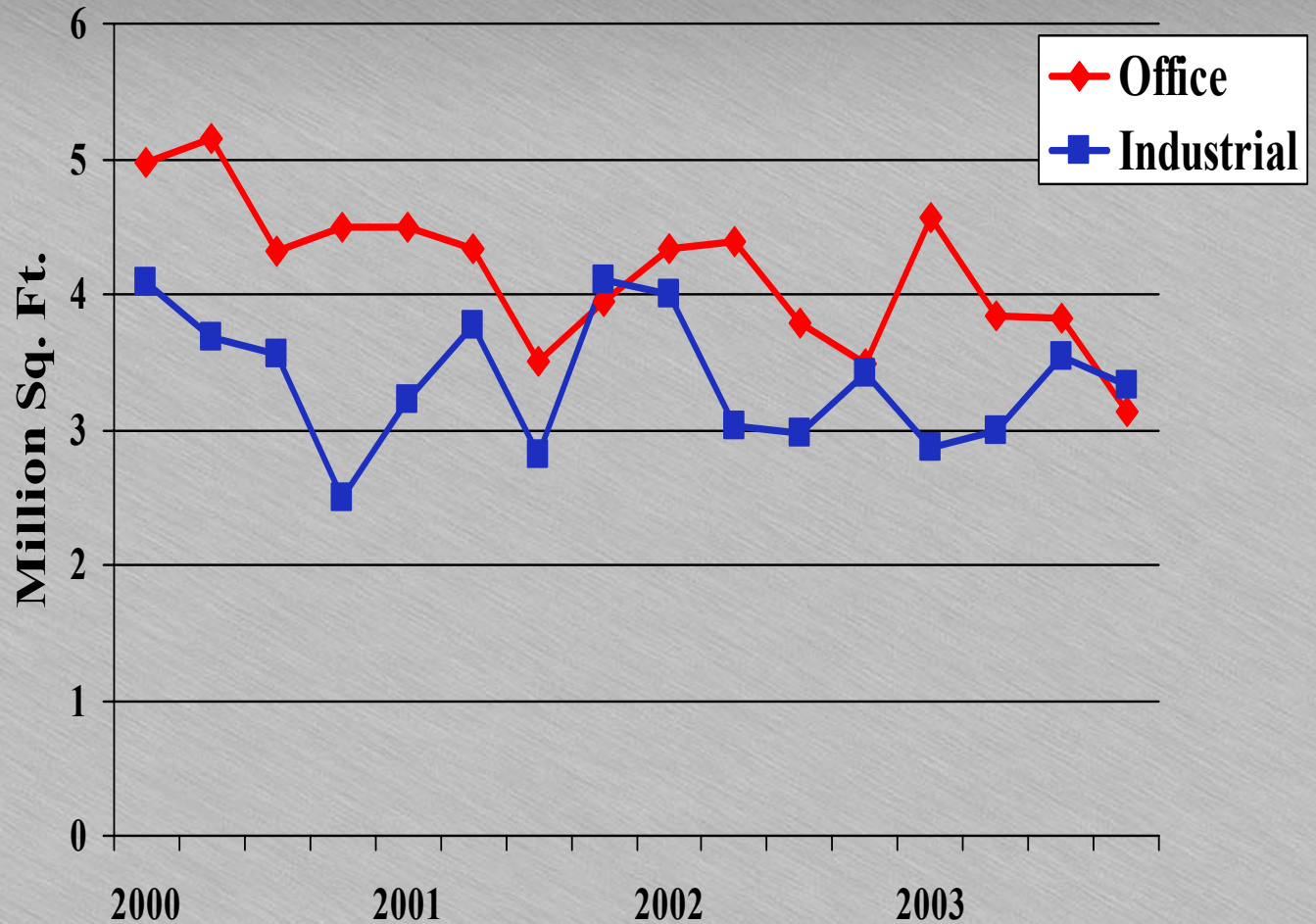
- Leasing activity is picking up

US Leasing Activity



CoStar

Denver Leasing Activity

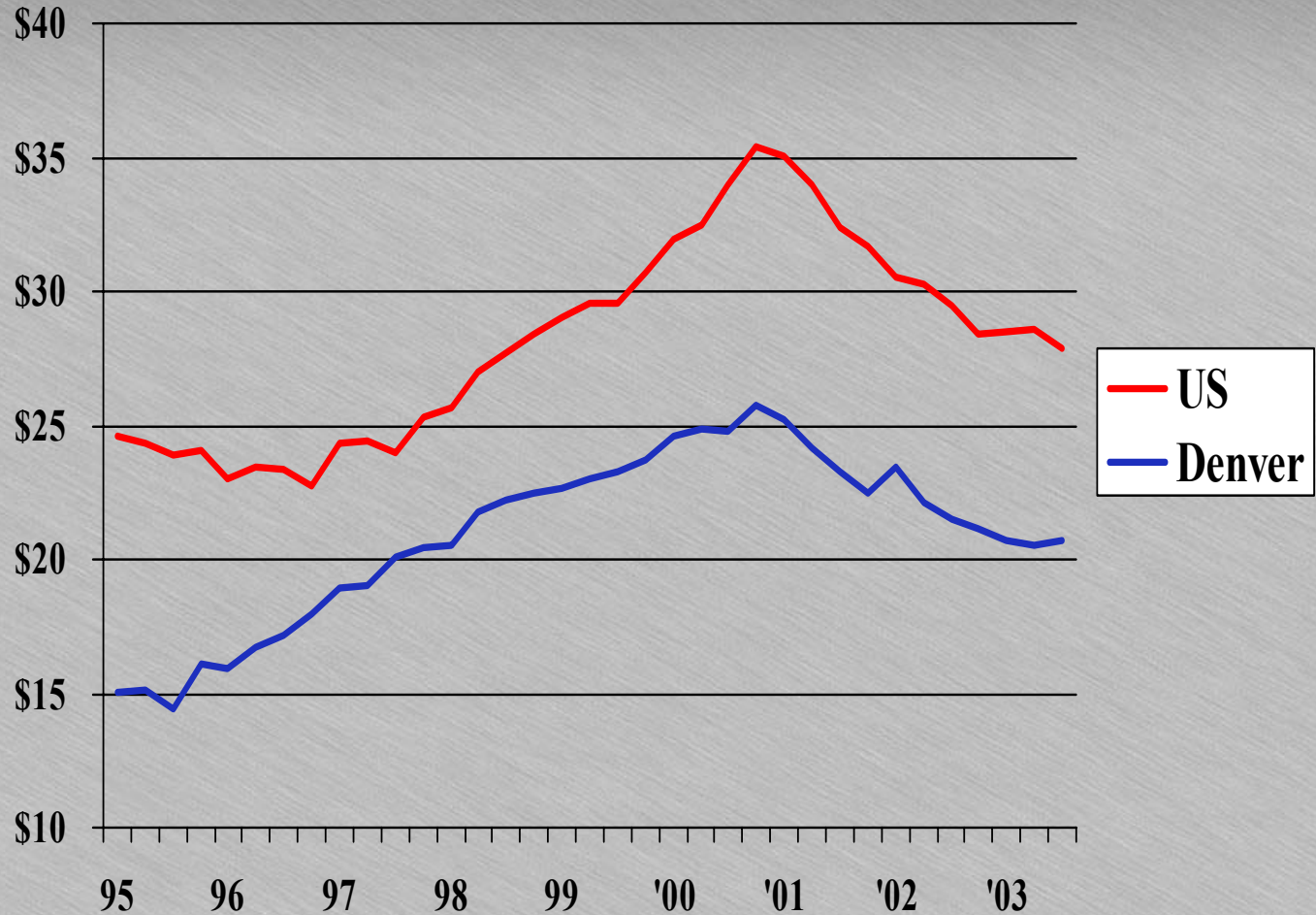


CoStar

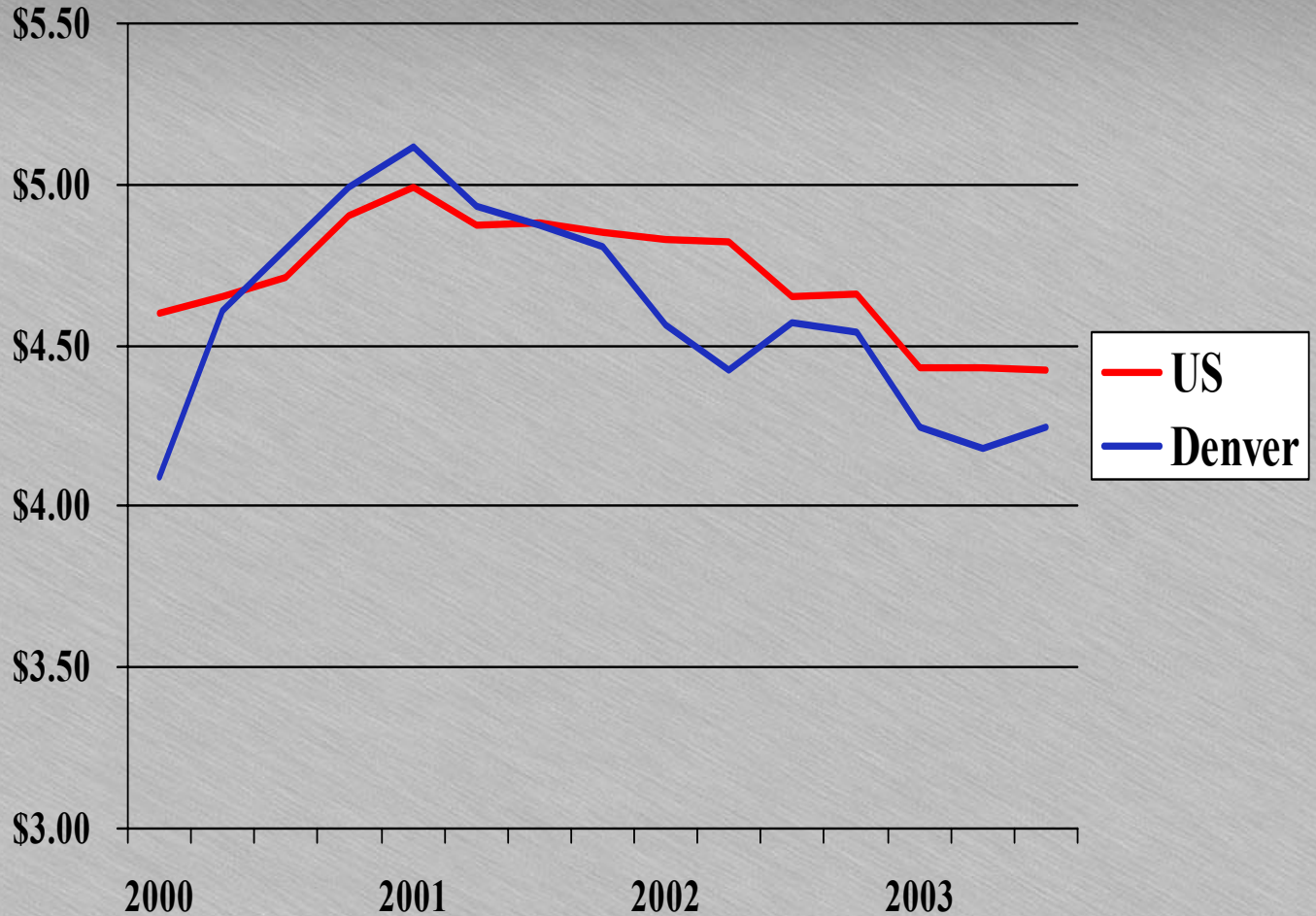
Myth or Reality?

- Leasing activity is picking up
- Rental rates have hit bottom

Office Class A Asking Rates



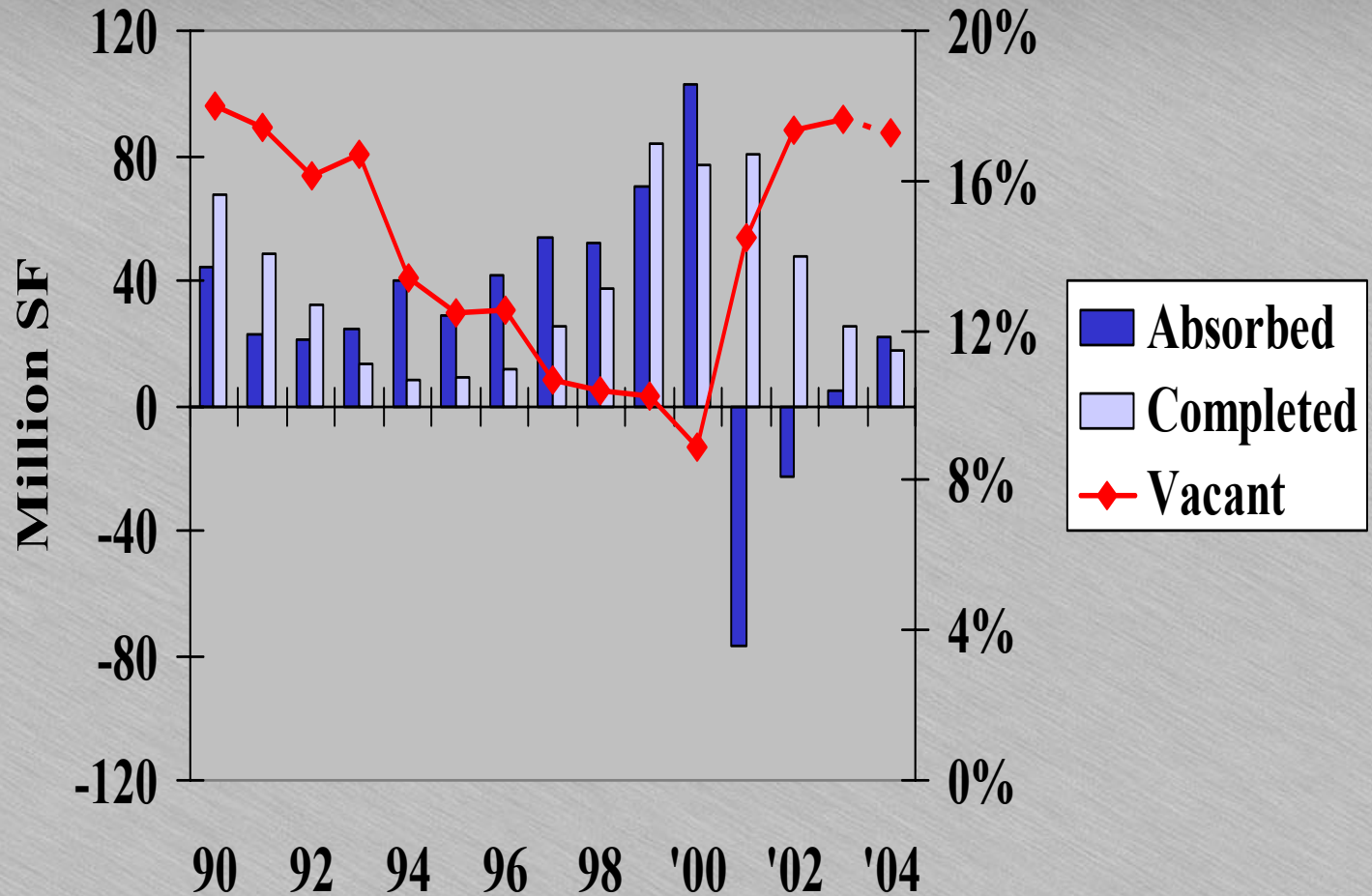
Warehouse-Dist. Asking Rates



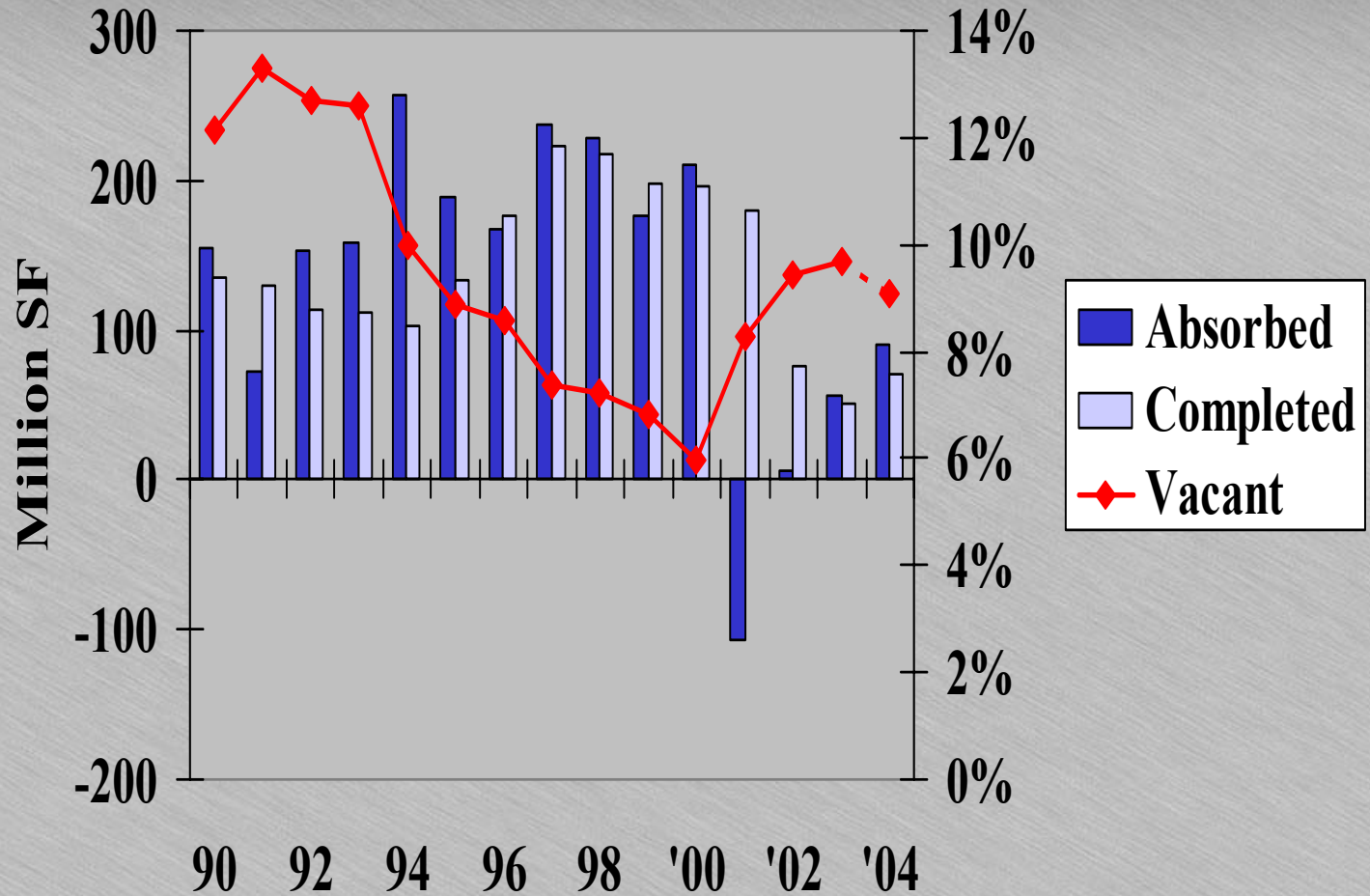
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- Our problem is under-demand, not over-supply

US Office Market Profile

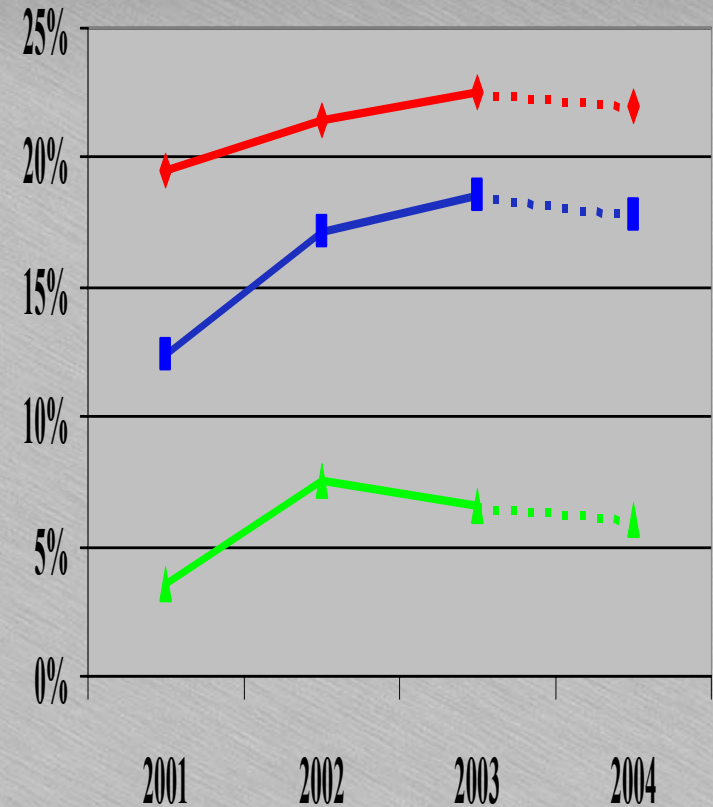


US Industrial Market



Denver

- Absorption in '03
 - Office: -77K
 - Industrial: -325K
- Office at bottom, but rents will continue to slide in '04
 - NW & SES post highest vacancies @ 30 & 25%
- Ind poised to recover
 - 2M SF sold to owner-users thru '03-q3



■ CBD Off ■ Sub Off ■ Indust

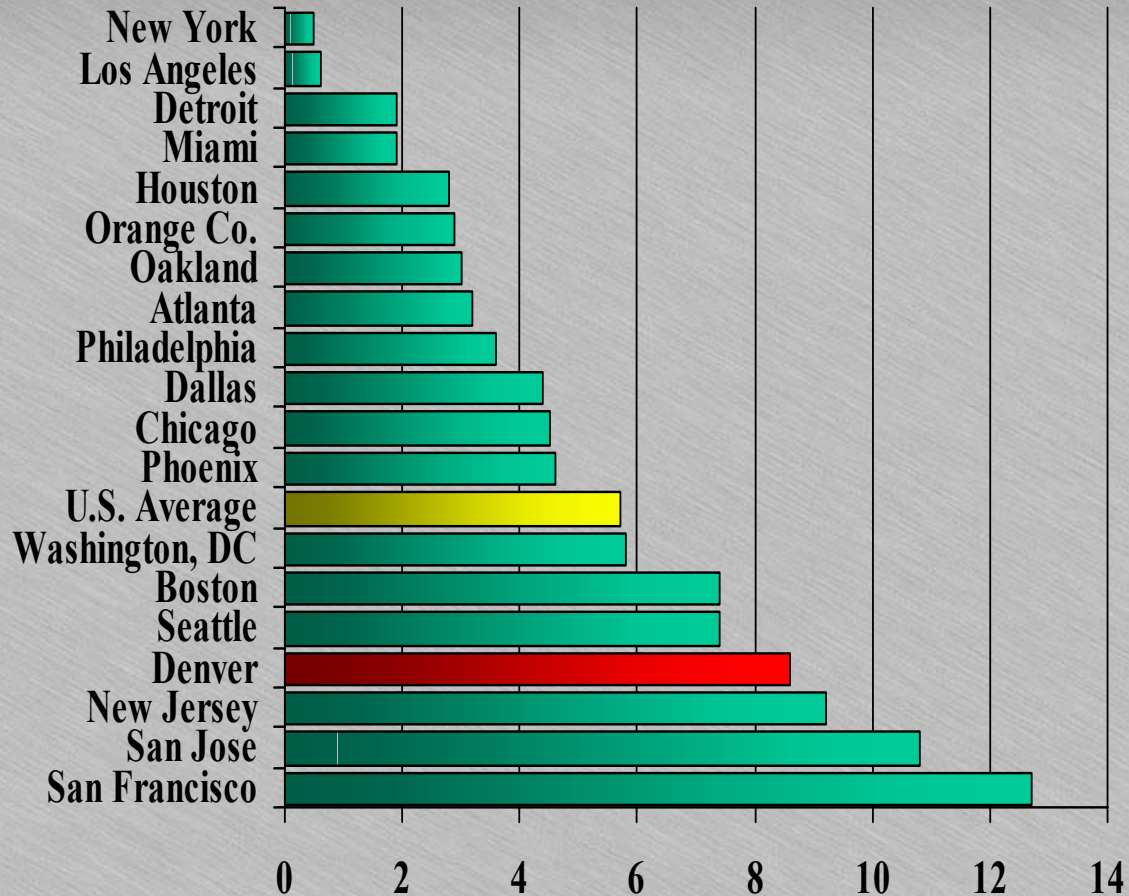
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- Tech markets will recover last

Years Supply of Office Space*

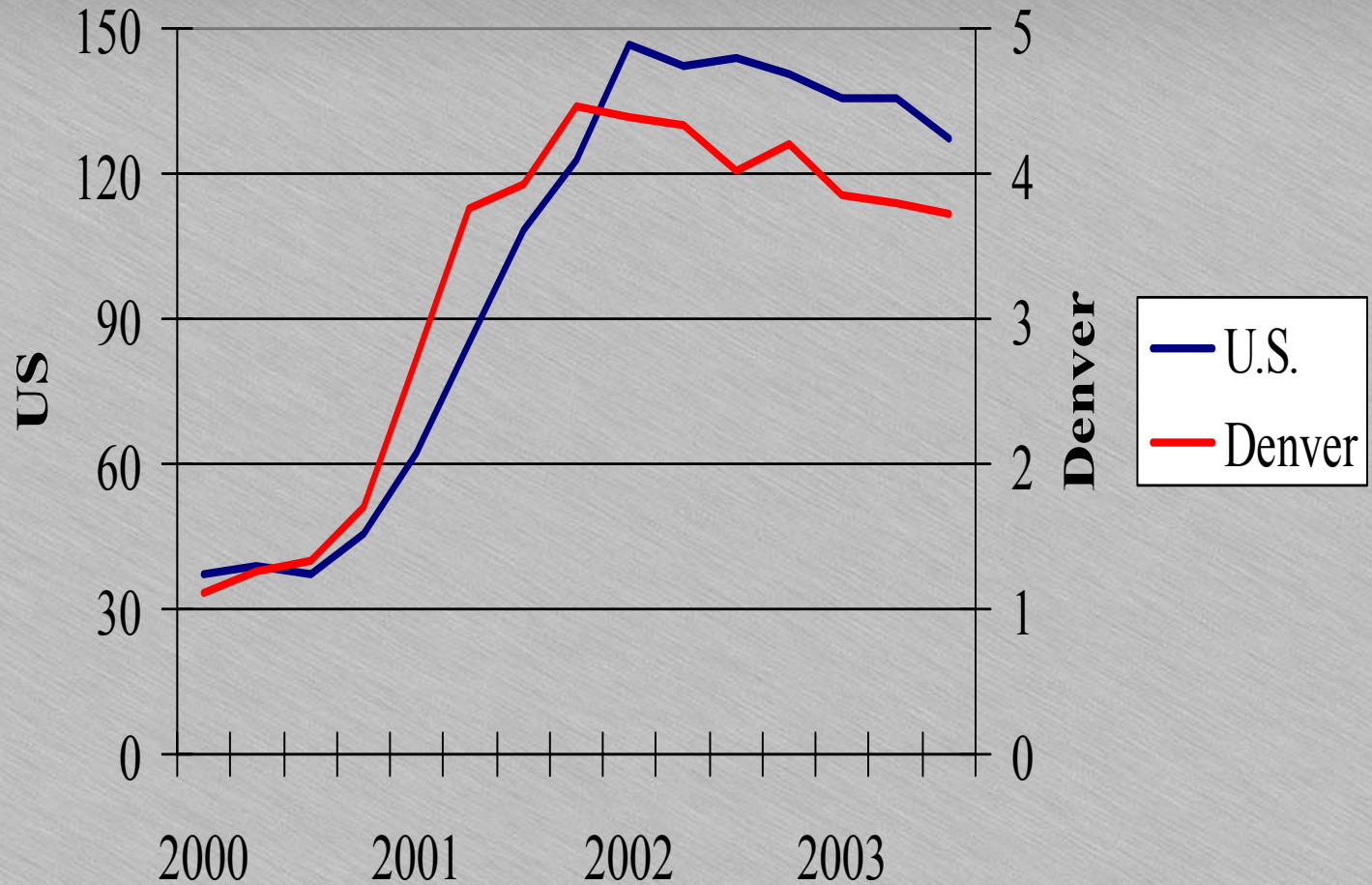


* Years to reach 1997-Q4 vacancy w/average annual absorption = 1996-1997

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- **Sublease & shadow space will deter recovery**

Office Sublease (SF in millions)



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- Tenants are upgrading space

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- Lease terms are getting shorter
- Smaller tenants are more active

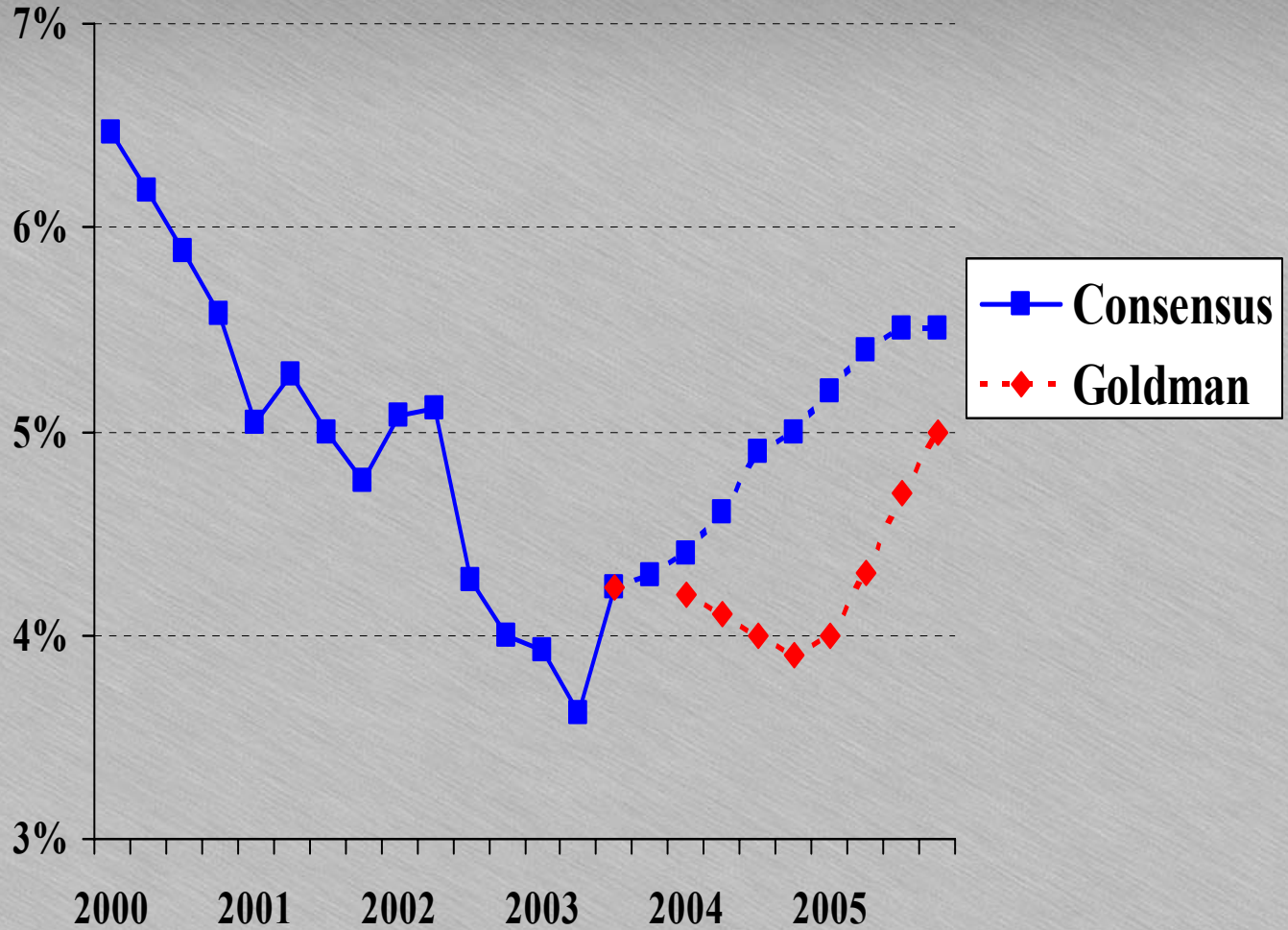
Other Office Market Metrics

- Average Lease Term: **Down**
 - From 66 Months to 58 Months
- Average Lease Size: **Down**
 - From 15,000 SF to 8,000 SF
- Time on Market: **Up**
 - From 5 Months to 13 Months

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- **Rising interest rates will hurt investor demand**

10-Year Note



Goldman Sachs, Blue Chip Economic Indicators

