

NAIOP 2005

Mid-Year Commercial Real Estate Forecast Meeting

Office Market Overview

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Introduction

Slow, Steady Improvement

Positive Economic Indicators

GDP

GSP

Consumer Confidence

Unemployment

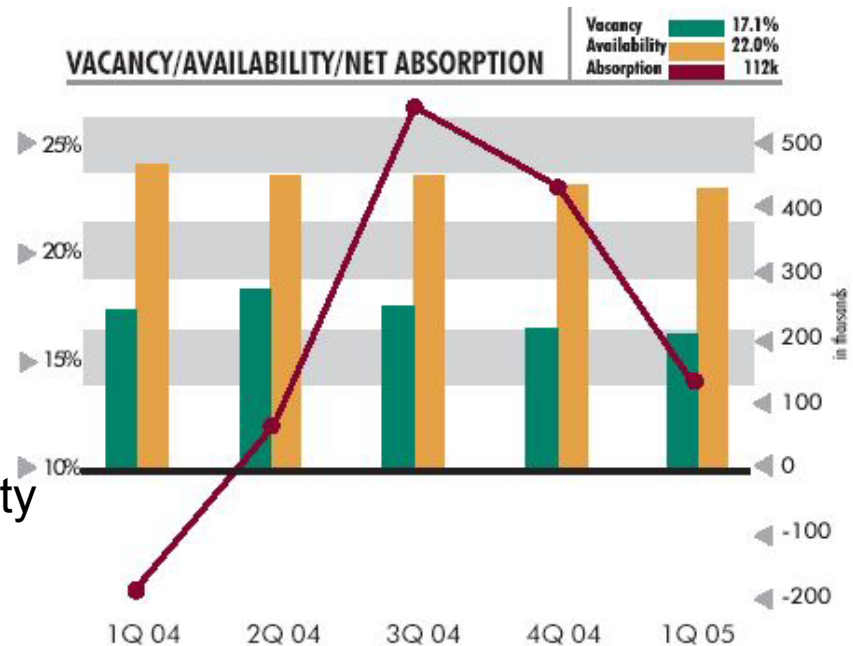
Job Growth

Improving Real Estate Fundamentals

Absorption

Increasing Activity

Decreasing Vacancy and Availability



Improving Submarkets

Northwest

7,416,210 SF
28.4% Vacant
36.7% Available
83,504 SF Absorption

West

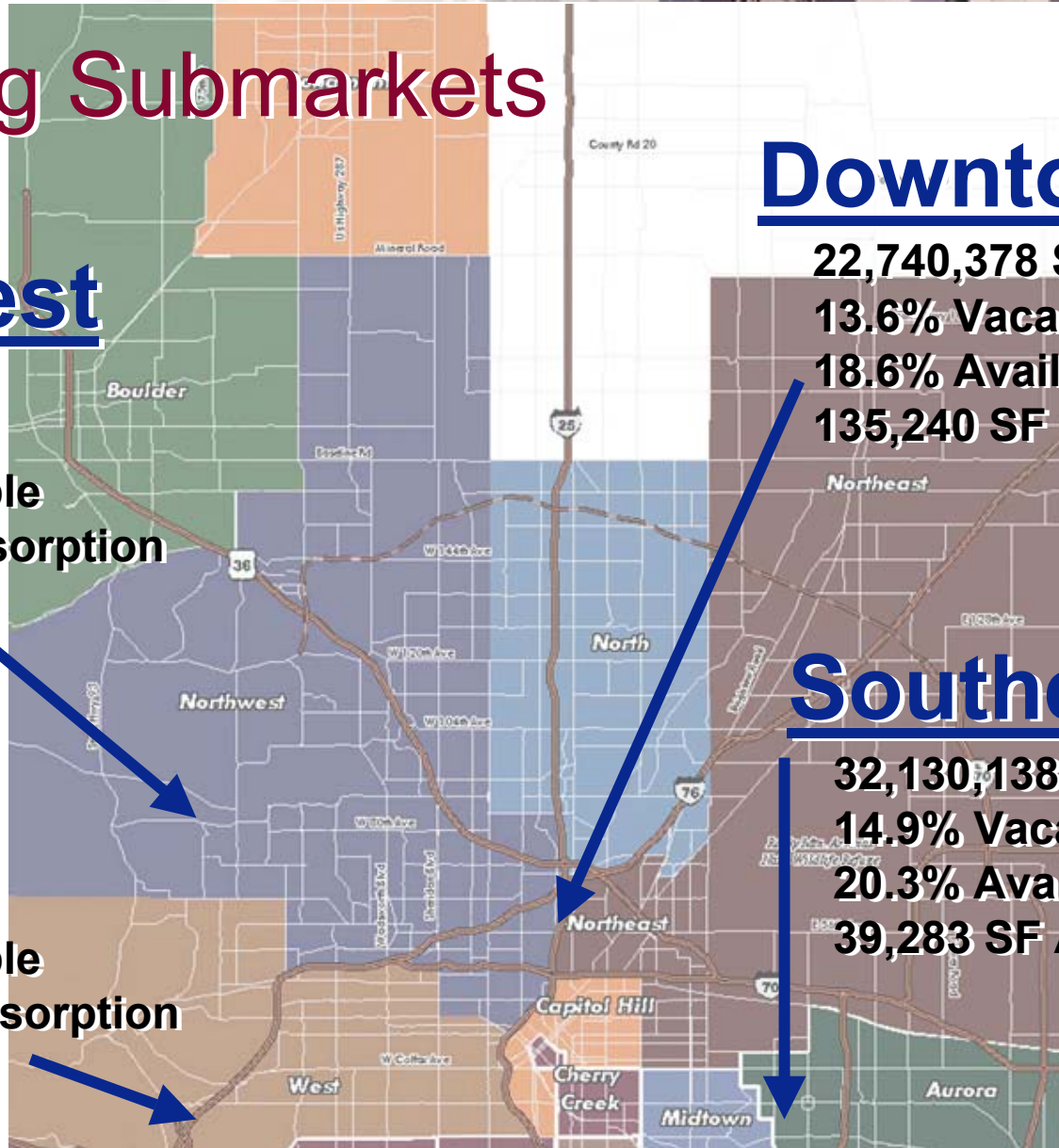
6,488,649 SF
19.0% Vacant
22.5% Available
-38,015 SF Absorption

Downtown

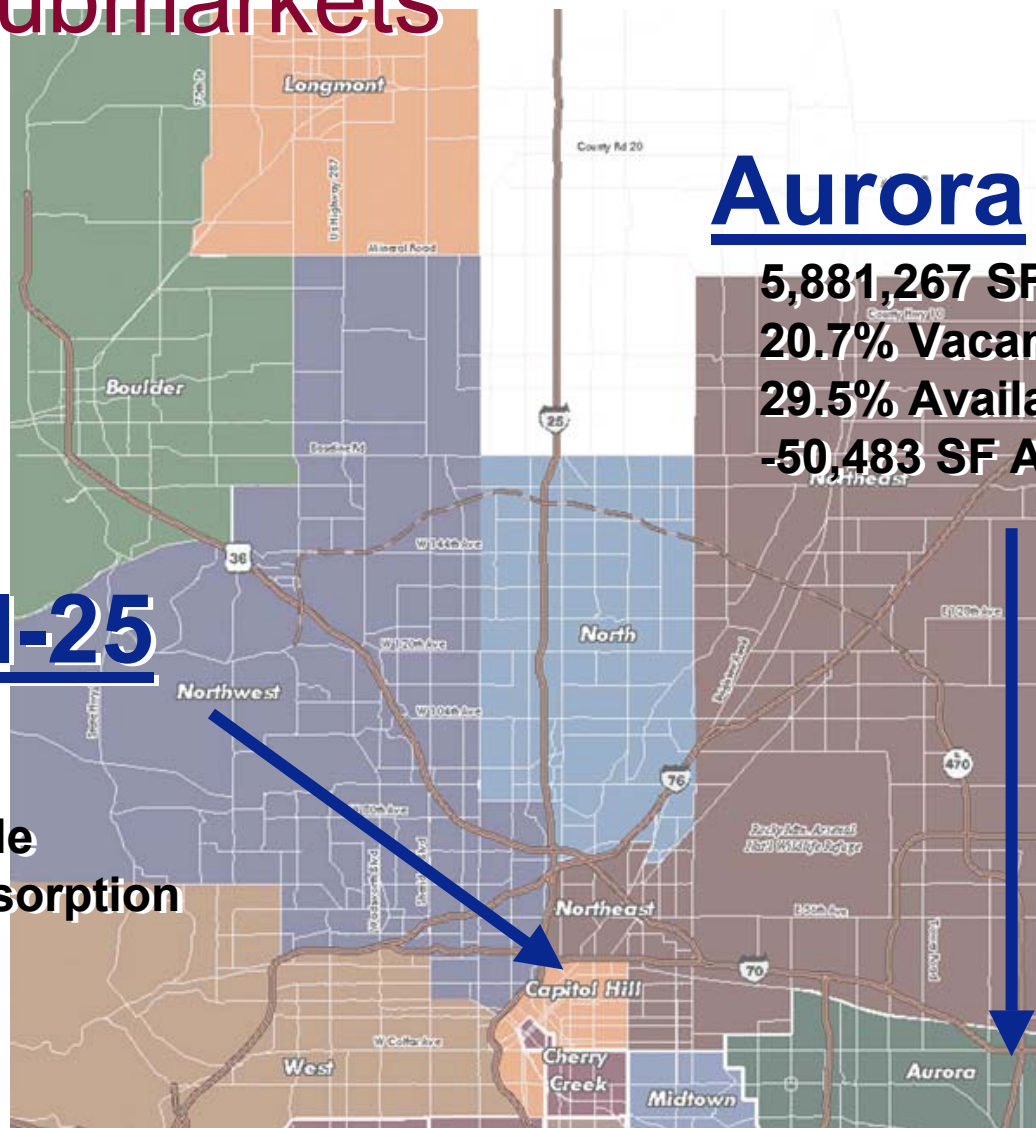
22,740,378 SF
13.6% Vacant
18.6% Available
135,240 SF Absorption

Southeast

32,130,138 SF
14.9% Vacant
20.3% Available
39,283 SF Absorption



Lagging Submarkets



Aurora

5,881,267 SF
20.7% Vacant
29.5% Available
-50,483 SF Absorption

Colo. & I-25

5,793,15 SF
22.9% Vacant
25.2% Available
-87,449 SF Absorption

Real Estate Fundamentals

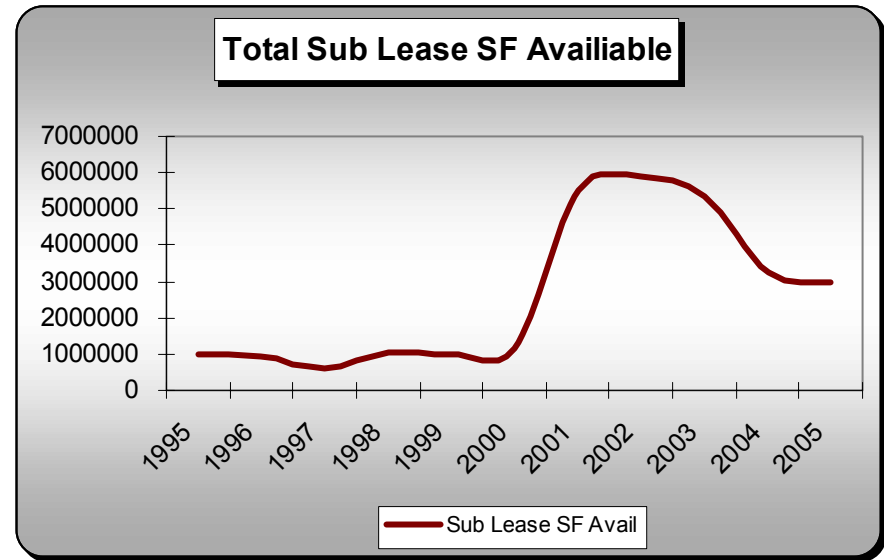
Absorption

Setbacks in 2004

Sun Micro Systems
Oracle / PeopleSoft
Qwest
ICG
Global Crossing

But Good News for Future Absorption

Less Sublease Space
5,921,323 in 2002 to 2,961,527 Today
Expirations
Subleases
Buyouts
Shadow Space Dried Up
Organic Growth versus Out of State Growth



Absorption continued

Positive 1.1 Million SF of Absorption in 2004

New Net Absorption – Recent Transactions

Dean Foods	138,000 SF absorption
DigitalGlobe	100,000 SF absorption
McData	90,000 SF absorption
Gambro	80,000 SF absorption
Forest Oil	50,000 SF absorption
Molson-Coors	44,000 SF absorption
RTD/Fast Tracks	41,000 SF absorption
Leopard Communications	25,000 SF absorption
Delta Petroleum	25,000 SF absorption
Medtronics	15,000 SF absorption

South East Absorption from Colorado Boulevard and Aurora

Aurora loan services	100,000 SF
MDC	100,000 SF
US Nursing	34,000 SF

Activity

Diversification of Prospects and Tenants

1980s: Oil and Gas

1990s: High Tech

Today: Oil and Gas, High Tech, Telecommunications, Mining
Healthcare, Financial Services, Real Estate, Defense, Engineering,
Service Companies, Government

Size of Tenants

75% of Tenants are under 10,000 SF

Trend Toward Larger Transactions

1 year ago: no tenant over 50,000 SF in the SE

Today there are several

Downtown: 8 Tenants Looking for 20,000 SF of net absorption

Risks Still Exist

Consolidation of Telecommunications

Acquisition Targets

Live / Work Environments and Telecommuting

Competitive Metro Market

Housing and Labor Costs are High, but Denver Still Desirable

Quality of Life

Educated Work Force

Cultural Improvements

Art Museum

Transportation Improvements

RTD, TREX, FasTracks

Convention Center / Hotel Improvements / Event Centers

Residential Developments

Douglas County

Golden Triangle Condo Conversion

Infrastructure Improvements

Healthcare

Colorado Health and Science

Children's Hospital



Redevelopments

Stone & Webster – Retail & Residential

Trammell Crow Company

Belmar

CONTINUUM PARTNERS



Plaza Marin – High end Condos

John Madden Company

29th Street Project



The Macerich[®] Company



TODs and FasTracks

Well Located Parcels Positioning For Long Term Impact

FasTracks Plan includes 119 miles of additional light and commuter rail

90 transit stations on average

Based on nationwide statistics, property values for locations within walking distance to rail carry a premium of 15 – 20%

Office users will begin to see the value in transit served locations and seek to relocate or extend transit service to their front doors

Already seeing the trend of tenant decisions made based on location to light rail stations, particularly in the SE

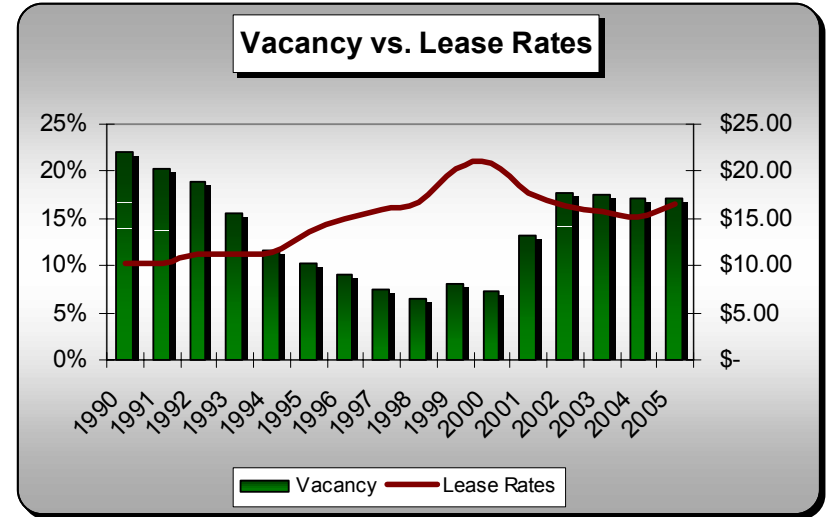
Predictions

Slow, Steady Growth Throughout 2005

Absorption will overall be positive through 2005 and 2006

Rental rates will be flat throughout 2005
Some rent increases in Class A
Flight to Quality

Slow, steady rent growth during next 3 years



Predictions continued

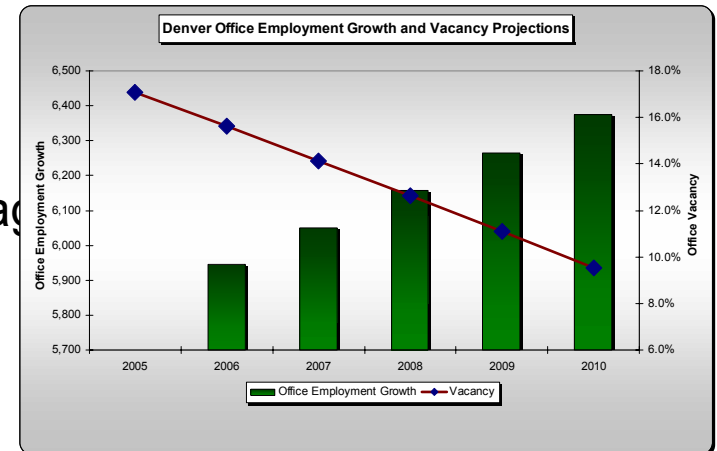
New Construction – When Will We See Sustained Level of Build to Suits? Absorption

Historically, absorption averaged 2.5 million SF per year in the 80s, 2 million SF per year in the 90s and 400,000 SF per year since 2000

We have to absorb approximately 10M SF to hit a 10% vacancy
(10M / 2-3M SF = 4-5 Years)

Job Growth

DRCOG Projects a 3.5 % annualized average job growth (+/- 6,000 office space jobs/year)
1 job to 250 SF of space
10% vacancy will be achieved in 2010



**Will See Sustained Speculative Building in Late 2000
for Delivery in 2010**