

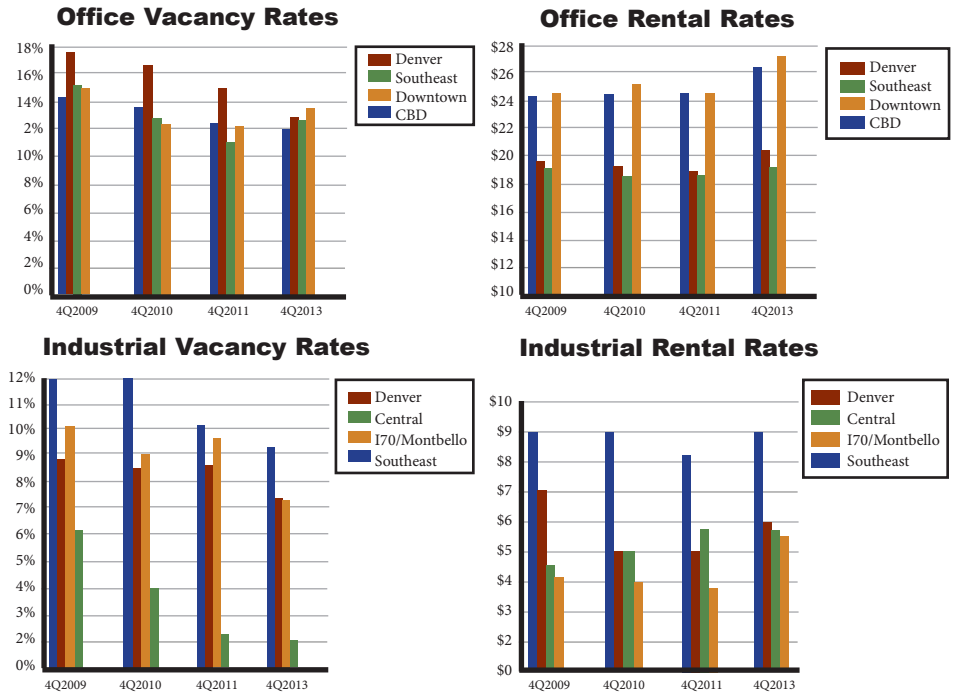
Following the 2012 Presidential election heading into the holidays and wrapping up the fourth quarter, Denver's real estate activity remained strong. 2012 ended with the Denver office market reporting 800 completed transactions totaling nearly 2.5 million SF. For the 8th consecutive quarter (1Q2011 – 4Q2012), Denver has reported decreasing vacancy rates and steady or slightly higher lease rates. Denver ended 4Q2012 with a vacancy rate of 12%. The Industrial market is following suite, with reported vacancy rates as low as 5.1%. As industrial vacancies disappear, the market is starting to notice increasing lease rates. From a national perspective, Denver's economic recovery is maintaining momentum comparable to Chicago and slightly behind Los Angeles.

Continued progress with the construction of Denver's infrastructure is a major driver in the city's economy recovery pace. The scarcity of large block class A office space has given the few remaining TOD projects along light rail the advantage to be a primary contender of a possible built-to-suite HQ. Heading south of downtown via I-25 or light rail, there is a prime opportunity for a 300k SF Class A office building at Colorado Center. The project is planned, designed and entitled looking for a 100k plus SF anchor tenant to start construction. Downtown has increased density over the past two years adding the 246k SF DaVita headquarters, the 108k SF IMA Financial building, new office, retail and residential driving demand for planned projects south of downtown.

The industrial sector saw absorption increase to 3,885,074 SF, which is positive but still lower than the market high of 6,611,597 SF in 2007. Built-to-suit projects made up nearly 100% of new industrial construction delivered in 2012.

Denver's culture, beautiful scenery and central location are definitely qualities that give the city a competitive advantage as the entire nation works toward a healthy sustainable economy.

Denver Real Estate



U.S. Employment By The Numbers

Nonfarm payroll employment: +155,000 ▲ Civilian labor force participation rate: 66.3% N/C

Source: Bureau of Labor Statistics, December 2012

Inside The Market

Denver 4Q2012 Real Estate Activity

- Unico Properties, LLC added two buildings to their Denver Portfolio located in Harlequin Plaza for \$26.55 million. Unico Properties plans to invest an additional \$6 million in building improvements alone.
- WinWholesale started construction on a 242k SF distribution facility at Prologis Park. Scheduled to be operational in the fall of 2013, this will be the third new building at Prologis erected in 2012. WinWholesale, a construction and industrial supply company will be relocating from their current 124k SF facility in the Denver Business Center.
- Zeppelin Development Inc. completed construction on the sixth building in the 172,700 SF Taxi development in the River North area of Denver.
- ADT Security Services, represented by CBRE commits to a 116,439 SF lease at Cherry Creek Place II (3190 S Vaughn Street), the Landlord is represented by Colliers International
- TA Associates Realty sold Hampden Park West, a five building industrial campus, to Watumull Properties Corporation. The portfolio was 95% leased at the time of sale, purchase price was \$9.150 million or \$68.23 SF with a 9.3% cap rate.
- Lincoln Property Company leased 46,148 RSF to Food Services Warehouse, LLC at 13450 E. Smith Road (I-225 Business Park). The tenant was represented by Newmark Knight Frank Frederick Ross. Lease commencement was 12/15/12, 45 month term, starting least rate \$3.50 NNN/SF with \$.20 SF annual increases.
- The Industrial market added 15 new buildings to Denver's inventory in 2012 totaling nearly 700,000 SF, with 95% of the space preleased.

Denver Employment

National Unemployment Average 7.8%—Dec 2012—NSA

	Employment Change*	Unemployment Rate
Oct-11	+4,111	7.8%
Oct-12(r)	+3,003	7.4%
Nov-11	+1,094	7.7%
Nov-12	-11,158	7.4%

Source: Bureau of Labor Statistics
*Change from prior month

NSA = not seasonally adjusted
(r) = revised data

Local Trends

Cost of Living Index Denver (Nat'l Avg = 100)	
Composite	103.2
Grocery	97.3
Housing	115.4
Utilities	89.9
Transportation	97.6
Health care	107.6
Miscellaneous	105.8

Source: ACCRA 4rd Qtr. 2012

Denver Income Per Capita Personal Income	
2005	\$43,634
2006	\$46,705
2007	\$47,935
2008	\$49,328
2009	\$45,781
2010	\$46,969
2011	\$48,980

Source: Bureau of Economic Analysis

Colorado Bankruptcy Total Cases Filed	
Q1-11	7,271
Q2-11	8,714
Q3-11	7,644
Q4-11	6,780
Q1-12	6,470
Q2-12	7,669
Q3-12	6,659

Source: American Bankruptcy Institute

Colorado Employment Growth Rates Change from Prior Year

	Q3-12	Q2-12	Q3-11	2011	2010
Total nonfarm	1.6%	1.5%	1.7%	1.5%	-1.0%
Manufacturing (6%)	1.8%	2.5%	3.8%	2.8%	-3.2%
Other (nonmanufacturing) goods-producing (5%)	4.4%	4.2%	0.9%	0.3%	-10.3%
Private service-producing (72%)	1.5%	1.6%	2.1%	1.9%	-0.4%
Government (17%)	0.5%	0.0%	0.2%	-0.3%	0.9%
Unemployment rate (percent of labor force)	8.2%	8.1%	8.3%	8.3%	8.9%

Source: FDIC

Quick Fact

1.9%

The difference between average annual pay in Colorado for employees in the private sector vs employees in the government sector. Private sector employees averaged \$49,245 compared to \$48,281 for government employees.

Source: U.S. Census Bureau

National Trends

CEO Survey - Fourth Quarter 2012

	Increase	No Change	Decrease
How do you expect your company's sales to change in the next six months?	58%	24%	17%
How do you expect your company's U.S. capital spending to change in the next six months?	30%	48%	23%
How do you expect your company's U.S. employment to change in the next six months?	29%	42%	29%

Source: Business Roundtable Q4 2012. Survey is a forecast of economic conditions in the next six months. Percentages may not equal 100 due to rounding.

U.S. Job Openings, SAAR

Survey Date	Job Openings (000s)
October 2012	3,675
September 2012	3,561
August 2012	3,561
July 2012	3,664
June 2012	3,762
May 2012	3,642
April 2012	3,447
March 2012	3,498

Source: Bureau of Labor Statistics SAAR = seasonally adjusted annual rate

Employment Cost Index, NSA

	Index Number	12-Month Change
Q4-2011	115.5	2.0%
Q1-2012	116.5	2.0%
Q2-2012	116.8	1.7%
Q3-2012	117.3	2.0%

Source: Bureau of Labor Statistics 2005 = 100.0 NSA = not seasonally adjusted

Consumer Price Index Medical, NSA

	Oct-11	Oct-12	Y-Y Change
Medical care	404.8	418.6	+3.4%
Medical care services	429.1	445.2	+3.7%
Hospital services*	246.5	257.5	+4.4%
U.S. all items	226.2	230.2	+1.8%

Source: Bureau of Labor Statistics 1982-84 = 100.0 NSA = not seasonally adjusted *1996 = 100.0

Domestic Automotive Units (000s)

	U.S. Production	Unit Sales	Inventory Level
Oct-11	286.2	374.8	694.9
Oct-12	232.3	435.8	1,020.2
Nov-11	285.9	374.8	786.6
Nov-12	364.7	471.0	1,106.9

Source: Bureau of Economic Analysis

Personal Income In Billions of Dollars, SAAR

	Jun-12	Jul-12 (r)	Aug-12 (r)	Sep-12 (r)	Oct-12 (r)	Nov-12
Personal income	13,355 ▲	13,374 ▲	13,385 ▲	13,439 ▲	13,446 ▲	13,532 ▲
Disposable personal income	11,885 ▲	11,902 ▲	11,912 ▲	11,959 ▲	11,965 ▲	12,040 ▲
Personal consumption expenditures	11,059 ▼	11,102 ▲	11,137 ▲	11,223 ▲	11,216 ▼	11,258 ▲

Source: Bureau of Economic Analysis

SAAR = seasonally adjusted annual rate

(r) = revised

Gross Domestic Product

Q3-11	1.8%
Q4-11	3.0%
Q1-12	2.0%
Q2-12	1.3%
Q3-12 (r)	3.1%

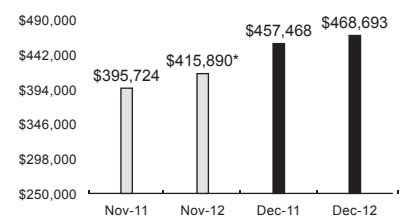
Source: Bureau of Economic Analysis (p) = preliminary (r) = revised

Consumer Confidence Index

Aug-12	60.6
Sep-12	68.4
Oct-12	73.1
Nov-12 (r)	71.5
Dec-12 (p)	65.1

Source: The Conference Board 1985 = 100 (p) = preliminary (r) = revised

Total U.S. Retail Sales In Millions (000,000s) NSA



Source: U.S. Department of Commerce NSA = not seasonally adjusted *revised data Most recent data available