

Denver

Impact

The high-tech industry has spawned new demand for office space throughout the Denver region, particularly in the Northwest submarket, which includes Boulder County and is home to the University of Colorado and other world-class research centers. Rental rates in this submarket have returned to pre-recession levels, and renewed confidence in the economy is leading to an increase in leasing activity. Boulder County is currently home to over 1,200 high-tech firms that range from data storage to software development. These firms dominate the market and are highly desired by landlords looking to fill their buildings.

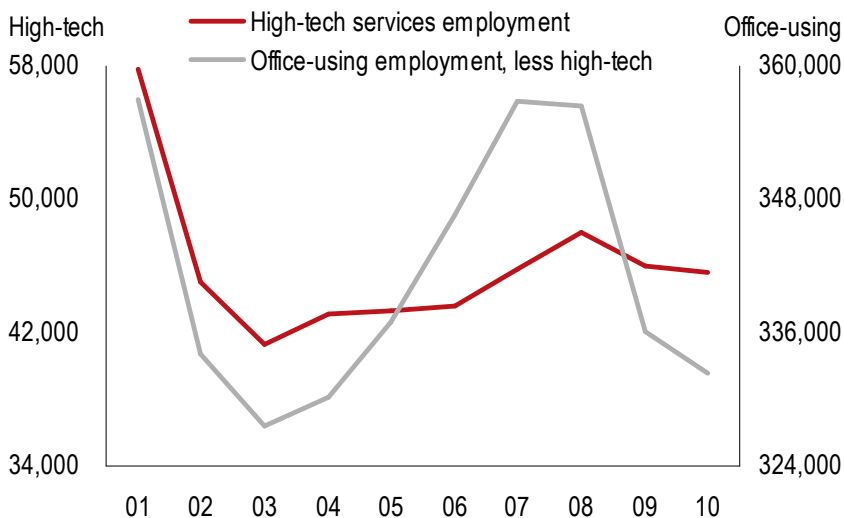
Overview

The greater Denver region is home to a mix of firms within the broader technology realm, but Boulder County leads performance with one of the lowest vacancy rates in the Denver region at just below 11.0 percent of its 9.5 million square feet of office space. Recently, early renewals have become popular as high-tech tenants look to take advantage of rental rates before the market begins to rise significantly. With rents on the rise, many high-tech tenants have seen this as a time to relocate and as a result, very few large blocks remain on the market, especially within Class A buildings. Despite increasing activity, landlords continue to provide ample tenant improvement dollars and free rent to attract and retain tenants, as well as to encourage existing tenants to expand. New activity within the market has created a sense of urgency and greater competition to get the best deal, a trend seen during the high-tech boom of the late 1990s. The Northwest submarket is helping to uplift real estate fundamentals throughout the Denver region, recording the second-lowest vacancy rate behind Midtown during the second quarter, and the second-highest rent behind the CBD during the same period.

Outlook

Boulder County is clearly the most highly concentrated area for the high-tech industry in the greater Denver region. However, as the industry grows in the coming years, surrounding submarkets are likely to be impacted by new space requirements. Although there has not been a high level of construction in the recent years, demand for space could prompt new office construction and even build-to-suit projects for larger requirements. The high-tech industry is expected to play a key role in the recovery and growth in the overall Denver market.

Denver high-technology employment



High-Technology Industry • U.S. Office Outlook • Fall 2011

Players: top high-tech firms
By real estate footprint



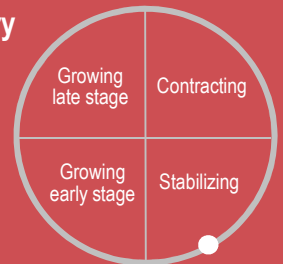
Oracle
Seagate Technology
IBM
The TriZetto Group
Xilinx

Position



High-tech industry

Economic cycle clock



Office property

Market cycle clock



Scorecard



Economic		rank
High-tech jobs / annual growth	59,718 / -1.1%	7/15
Percent of total jobs	5.3%	10
Number of firms	6,088	2
Venture capital funding (past 4 quarters)	\$617.3 M	9
Share of U.S. total	2.5%	
College education	39.2%	11
Diversity (non-white / foreign born)	18.6% / 12.2%	15/13
Office		
Cost (average asking rent)	\$21.82	15
Annual growth	1.3%	6
Supply (vacancy rate)	16.0%	6
Demand (net absorption sf / (past 4 quarters))	1,164,297 sf / 1.1%	8 / 12
High-tech concentration (high-tech services vs. office jobs)	12.1%	10

