

# DENVER, COLORADO ACQUISITION

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FEBRUARY 2015



Denver,  
CO

## FORWARD LOOKING STATEMENTS

Certain statements contained in this presentation, including those that express a belief, expectation or intention, as well as those that are not statements of historical fact, are forward-looking statements within the meaning of the federal securities laws and as such are based upon City Office REIT, Inc. (or the “Company”) and its current beliefs as to the outcome and timing of future events. There can be no assurance that actual future developments affecting the Company will be those anticipated by the Company. Examples of forward-looking statements include projected capital resources, projected profitability and portfolio performance, estimates of market rental rates, projected capital improvements, expected sources of financing, expectations as to the timing of closing of acquisitions, dispositions, or other transactions, the expected operating performance of anticipated near-term acquisitions and descriptions relating to these expectations, including without limitation, the anticipated net operating income yield. Forward-looking statements presented in this presentation are based on management’s beliefs and assumptions made by, and information currently available to, management.

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# ACQUISITION SUMMARY LOGAN TOWER

- › Logan Tower is a 69,968 square foot, Class B office building centrally located in the Uptown submarket of downtown Denver
- › Excellent access to transportation, high quality restaurants, amenities and the State Capitol building
- › 8.1% submarket vacancy rate is the second lowest in Denver's downtown area and declined from 10.2% in 2013
- › Logan Tower has been recently renovated and is in good condition with upgraded corridors, mechanical systems, elevators and lobby



## Logan Tower Key Metrics

Purchase price **\$10.5 M / \$150 PSF**

Property size **69,968 SF**

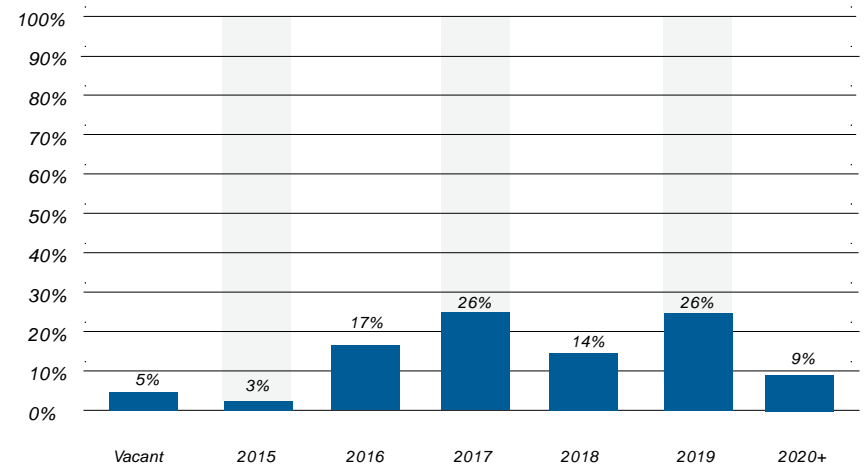
Year built / renovated **1983**

Occupancy at close **95%**

Year 1 cash NOI cap rate **~8.0%**

Estimated replacement cost **~\$300+ PSF**

### SUMMARY OF EXPIRING SQUARE FOOTAGE (% OF TOTAL SF<sup>1</sup>)



1- At January 31, 2015



# ACQUISITION CHARACTERISTICS

## Well Located Real Estate:

- › Downtown Denver location. Situated in close proximity to the Financial District, the State Capitol building, mass transit stations and quality amenities/restaurants
- › The Uptown district has been one of the most active submarkets in the CBD and is home to a variety of financial services, government and energy firms. It possess favorable demographics and a young, educated population

## Favorable Acquisition Metrics:

- › 8.0% capitalization rate on year 1 projected NOI with in-place rents that are 22% below market
- › \$150 per square foot acquisition price; attractive value that is significantly below replacement cost

## Below Market Rental Rates:

- › \$18.00 gross in-place rents. Approximately \$5.00 per square foot below the \$23.00 market rate, providing significant net operating income growth potential as leases rollover

## Attractive Submarket Value Proposition:

- › Uptown has experienced a significant drop in vacancy and increasing rents, but it still offers some of the best value in downtown Denver
- › The tightening of vacancy rates throughout downtown coupled with increased absorption positions Uptown favorably for higher rental rates

## Strong & Diversified Tenant Base:

- › 21 tenants with staggered lease maturities and strong credit profiles
- › Diversified tenant base; the largest tenant represents less than 15% of the total square footage



# MARKET STATISTICS – DENVER, CO

## Strong Denver Market Fundamentals:

- Denver is ranked as the 18<sup>th</sup> largest Metro Area by population with 3.0 million people (2014 est.)
- Metro Denver is an employment growth leader and achieved a 5.5% increase in 2014
- Of the 25 largest metropolitan areas in the United States, Denver ranks second lowest with a 3.9% unemployment rate
- Denver ranks second highest for educational attainment; over 42% of residents have earned a Bachelors degree or greater
- By 2018, the Metro Denver Area will be serviced by nine rail lines, 18 miles of bus rapid transit and 95 stations. It will possess one of the best transit infrastructures in the western United States





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