Market Report

METRO DENVER | OFFICE
Q2 2018

Colliers INTERNATIONAL

Accelerating success.

Denver's Office Market Performing Well into 2nd Half of 2018

MARKET OVERVIEW

At the halfway point of 2018, Denver's office market continues to perform well with steady vacancy, increasing asking rental rates, and strong positive absorption. After a relatively slow start to the year, second quarter absorption totaled over 1.1 million square feet with the metro's top submarkets, Downtown and Southeast, contributing a combined 800,000 square feet. All positive absorption during the quarter came from Class A properties, as occupiers move into new, higher quality space. Overall vacancy has remained steady, even as the market has experienced more than 2.7 million square feet of deliveries year-to-date. Confidence in the office sector is unwavering, especially in the Downtown market, as Block 162, a 595,000-square-foot, speculative Class A office building broke ground during the quarter.

MARKET INDICATORS*

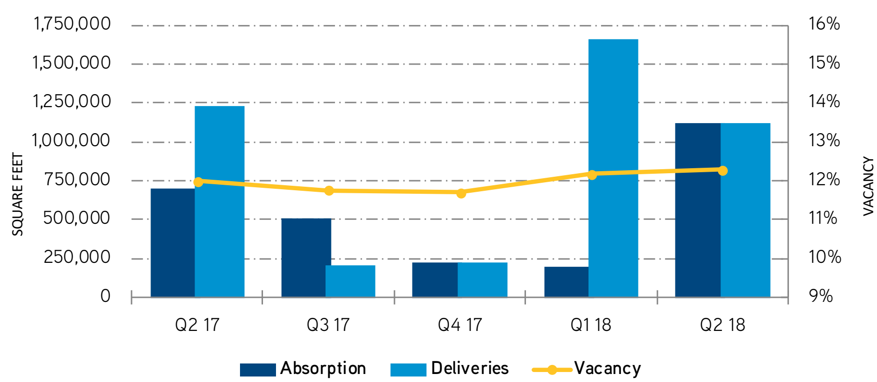
	Q2 2018	Projected Q3 2018
VACANCY	↑	↔
NET ABSORPTION	+	+
DELIVERIES	↓	↓
RENTAL RATE	↑	↑

*Arrows compare current quarter to the previous quarter's historically adjusted figures.

SUMMARY STATISTICS

	Q2 2017	Q2 2018
VACANCY RATE	12.0%	12.3%
ABSORPTION YTD	323,711	1,317,566
DELIVERIES YTD	1,914,397	2,782,936
UNDER CONSTRUCTION	4,168,460	2,907,368
ASKING RENTS/SF	$26.54	$27.75

Denver Office Market Q2 2017-Q2 2018



Source: CoStar, Colliers Research

HIGHLIGHTED ECONOMIC TRENDS

Local Unemployment Rates

2.3%

As of **May 2018**, the Bureau of Labor Statistics indicated the estimated unemployment rate for the Metro Denver area at **2.3 percent**. The National unemployment rate is **3.8 percent**.

Local Employment Growth

42,000

Metro Denver total employment increased by approximately **42,000 jobs** between **April 2017** and **April 2018**.

Investment Sales

$393M

Second quarter investment activity totaled more than **$393 million** throughout Metro Denver. A slight increase from **Q2 2017** totals of **$386 million**.

Office absorption totaled more than 1.1 million square feet during Q2.

ABSORPTION

Metro office absorption totaled more than 1.1 million square feet during the second quarter as six of ten submarkets recorded positive absorption. Both of the metro's top submarkets, Downtown and Southeast, reported strong absorption numbers with 497,652 and 303,379 square feet of positive absorption, respectively. The West submarket also contributed over 400,000 square feet of positive absorption to the metro total as CDOT occupied its new, 175,000-square-foot office building on West Colfax Avenue, in addition to several other mid-size tenants in the West market. Much of the Southeast submarket absorption contributed during the second quarter is from the delivery of the new Village Center Station II along Interstate 25, of which Charter Communications occupies the entire 324,098-square-foot, Class A building. Other notable large tenant move-ins during the quarter included, BP Lower 48, Optiv, and BOA – all tenants moved into new, Class A space throughout the Downtown submarket.

VACANCY

Overall metro office vacancy remained relatively unchanged from the previous quarter and currently sits at 12.3 percent. For the last six quarters, office vacancy has remained within the 11 to 12 percent range, ranging from 11.6 to 12.3 percent. Vacancy is anticipated to remain relatively stable throughout the second half of 2018 as under construction projects are delivered and tenants begin to move in to their preleased office space.

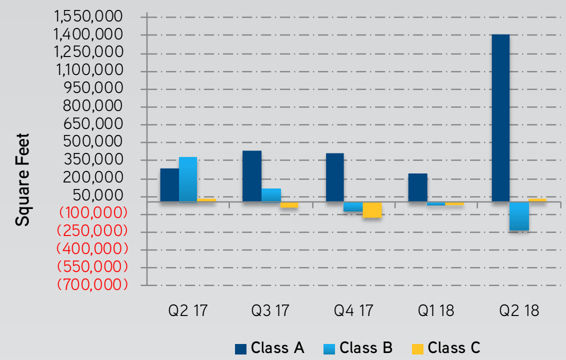
DELIVERIES & CONSTRUCTION

Second quarter metro deliveries totaled approximately 1.12 million square feet, bringing the year-to-date total to approximately 2.8 million square feet. Notable deliveries included Village Center Station II and One DTC West in the Southeast, and Flight, a 140,000-square-foot office building at the mixed-use TAXI campus in the RiNo district. Currently, the metro has over 2.9 million square feet of office construction projects under way – 90 percent of which is Class A product. Block 162 in the Downtown submarket broke ground in the second quarter, and at 595,000 square feet is the largest office project currently under construction in the metro area.

RENTAL RATES

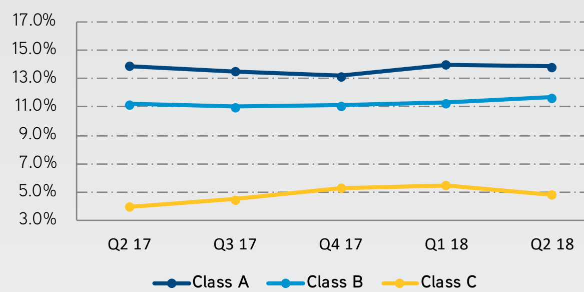
The overall second quarter asking rental rate for office space in Metro Denver was $27.75/sf (FSG) – a 4.6 percent increase year-over-year. All ten submarkets experienced an increase in asking rates quarter over quarter. Demand for high-end space and new office deliveries have resulted in the continuous increase of asking rates. Expect asking rates increases to remain modest, even as newer premier office space is leased up, due to the amount of new construction available.

Absorption



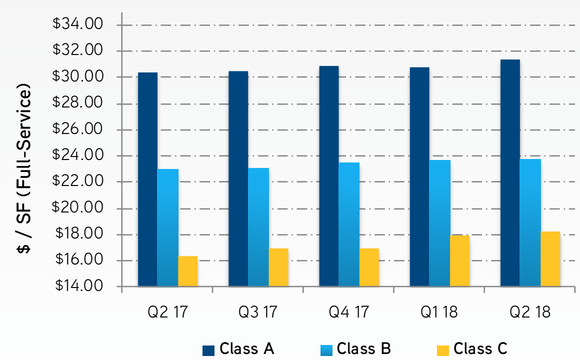
Source: CoStar, Colliers Research

Vacancy



Source: CoStar, Colliers Research

Rental Rates



Source: CoStar, Colliers Research

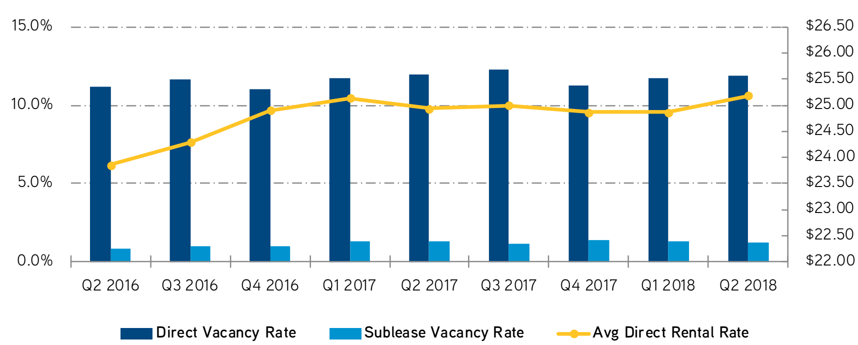
Submarket Statistics

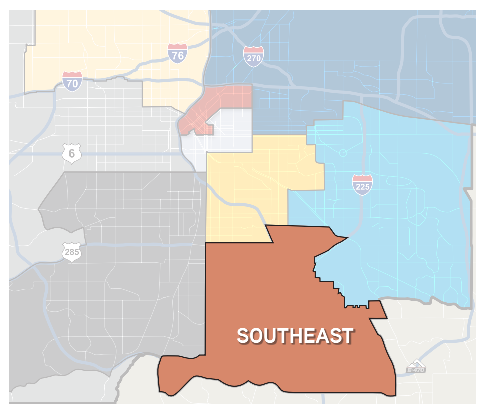
Submarket/Class	Buildings	Total Inventory SF	Direct Vacancy Rate	Sublease Vacancy Rate	Vacancy Rate Current	Vacancy Rate Prior Qtr	Leasing Activity SF	Net Absorption Current Qtr SF	Net Absorption YTD SF	Deliveries Current Qtr SF	Deliveries YTD SF	Under Construction SF	Avg. Direct Rental Rate (SF)
EXISTING PROPERTIES							ACTIVITY	ABSORPTION		CONSTRUCTION			RENTS
DOWNTOWN													
CENTRAL BUSINESS DISTRICT/LODO/CENTRAL PLATTE VALLEY													
A	71	25,282,600	13.8%	1.1%	14.9%	15.6%	821,780	593,168	973,402	238,481	1,400,794	1,747,220	$36.18
B	132	11,313,351	12.2%	1.2%	13.5%	12.8%	141,070	(79,582)	(142,774)	-	-	50,000	$30.05
C	21	1,320,077	2.8%	0.0%	2.8%	1.6%	-	(15,934)	(15,934)	-	-	-	$25.76
Total	**224**	**37,916,028**	**12.9%**	**1.1%**	**14.0%**	**14.8%**	**962,850**	**497,652**	**814,694**	**238,481**	**1,400,794**	**1,797,220**	**$34.76**
MIDTOWN													
SOUTH MIDTOWN/CAPITOL HILL													
A	7	1,110,758	3.4%	2.4%	5.7%	8.7%	26,322	32,877	(5,754)	-	-	146,805	$29.90
B	54	3,551,359	4.5%	0.0%	4.5%	4.0%	12,064	(17,285)	(20,837)	-	-	-	$26.93
C	35	1,489,800	3.3%	0.0%	3.3%	4.2%	21,495	13,278	(17,726)	-	-	-	$17.60
Total	**96**	**6,151,917**	**4.0%**	**0.4%**	**4.4%**	**4.9%**	**59,881**	**28,870**	**(44,317)**	**-**	**-**	**146,805**	**$26.07**
SUBURBAN													
AURORA													
A	13	1,817,371	8.0%	0.0%	8.0%	8.0%	16,000	-	-	-	-	-	$23.65
B	78	5,471,781	10.4%	0.2%	10.5%	9.2%	133,297	(71,804)	(43,601)	-	-	-	$19.77
C	17	595,381	4.0%	0.0%	4.0%	3.6%	-	(2,532)	8,174	-	-	-	$12.47
Total	**108**	**7,884,533**	**9.4%**	**0.1%**	**9.5%**	**8.5%**	**149,297**	**(74,336)**	**(35,427)**	**-**	**-**	**-**	**$20.22**
BROOMFIELD													
A	21	3,355,531	10.6%	1.7%	12.4%	13.1%	115,429	25,406	9,523	-	176,588	159,000	$26.90
B	31	2,808,151	7.7%	0.0%	7.7%	7.7%	1,089	(935)	29,363	-	-	–	$24.30
Total	**52**	**6,163,682**	**9.3%**	**0.9%**	**10.2%**	**10.6%**	**116,518**	**24,471**	**38,886**	**-**	**176,588**	**159,000**	**$26.15**
COLORADO BOULEVARD/GLENDALE													
A	26	4,243,203	17.4%	0.4%	17.9%	15.5%	197,900	(5)	87,917	117,236	117,236	205,666	$32.75
B	94	6,720,944	9.2%	0.8%	10.0%	10.7%	126,628	43,945	(30,809)	-	-	23,000	$25.64
C	25	1,031,525	12.1%	0.0%	12.1%	12.4%	12,495	2,958	7,047	-	-	-	$19.82
Total	**145**	**11,995,672**	**12.4%**	**0.6%**	**13.0%**	**12.5%**	**337,023**	**46,898**	**64,155**	**117,236**	**117,236**	**228,666**	**$28.41**
NORTH/NORTHEAST													
A	12	1,294,382	10.0%	1.9%	11.9%	11.6%	3,434	(4,787)	(33,402)	-	-	-	$25.97
B	77	5,095,493	10.0%	0.3%	10.3%	9.5%	28,567	(36,467)	(10,074)	-	43,586	24,000	$22.19
C	17	974,069	2.6%	0.0%	2.6%	2.7%	4,454	752	(1,119)	-	-	-	$14.77
Total	**106**	**7,363,944**	**9.0%**	**0.5%**	**9.5%**	**9.0%**	**36,455**	**(40,502)**	**(44,595)**	**-**	**43,586**	**24,000**	**$22.94**
NORTHWEST													
A	25	2,414,088	15.8%	1.3%	17.1%	18.7%	70,433	85,119	(54,148)	57,700	57,700	100,000	$25.88
B	91	4,084,152	12.8%	0.3%	13.1%	9.2%	55,682	(128,186)	(48,791)	33,264	90,864	73,500	$22.37
C	15	458,289	7.0%	0.0%	7.0%	7.2%	12,356	849	(4,363)	-	-	-	$21.55
Total	**131**	**6,956,529**	**13.5%**	**0.7%**	**14.1%**	**12.4%**	**138,471**	**(42,218)**	**(107,302)**	**90,964**	**148,564**	**173,500**	**$24.02**
SOUTHEAST													
A	156	24,672,373	11.9%	1.5%	13.4%	13.8%	439,204	428,854	446,912	396,098	618,168	235,000	$27.07
B	299	18,818,522	12.2%	0.9%	13.1%	12.4%	349,018	(128,239)	(127,730)	-	-	53,000	$23.14
C	34	1,200,481	6.6%	0.2%	6.8%	7.0%	15,800	2,764	2,604	-	-	-	$16.30
Total	**489**	**44,691,376**	**11.9%**	**1.2%**	**13.1%**	**13.0%**	**804,022**	**303,379**	**321,786**	**396,098**	**618,168**	**288,000**	**$25.18**
SOUTHWEST													
A	6	1,282,497	11.0%	0.0%	11.0%	7.6%	-	(44,046)	(46,355)	-	-	29,177	$27.14
B	101	5,008,351	11.9%	0.5%	12.4%	12.4%	77,029	1,675	(84,103)	-	-	-	$18.70
C	18	636,436	1.9%	0.0%	1.9%	3.7%	3,112	11,433	17,164	-	-	-	$13.66
Total	**125**	**6,927,284**	**10.8%**	**0.3%**	**11.2%**	**10.7%**	**80,141**	**(30,938)**	**(113,294)**	**-**	**-**	**29,177**	**$20.07**
WEST													
A	23	2,927,505	7.9%	2.0%	9.9%	11.5%	85,798	290,826	270,057	278,000	278,000	-	$27.23
B	133	8,329,289	11.7%	0.5%	12.2%	13.4%	141,886	100,121	135,998	-	-	61,000	$22.08
C	26	720,893	3.1%	0.0%	3.1%	5.8%	6,087	19,571	16,925	-	-	-	$15.34
Total	**182**	**11,977,687**	**10.3%**	**0.8%**	**11.1%**	**12.5%**	**233,771**	**410,518**	**422,980**	**278,000**	**278,000**	**61,000**	**$22.82**
SUBURBAN TOTAL													
A	282	42,006,950	12.1%	1.4%	13.4%	13.5%	928,198	781,367	680,504	849,034	1,247,692	728,843	$27.57
B	904	56,336,683	11.2%	0.6%	11.8%	11.3%	913,196	(219,890)	(179,747)	33,264	134,450	234,500	$22.53
C	152	5,617,074	5.7%	0.0%	5.7%	6.4%	54,304	35,795	46,432	-	-	-	$17.45
Total	**1,338**	**103,960,707**	**11.2%**	**0.9%**	**12.1%**	**11.9%**	**1,895,698**	**597,272**	**547,189**	**882,298**	**1,382,142**	**963,343**	**$24.63**
DENVER MARKET GRAND TOTAL													
A	360	68,400,308	12.6%	1.3%	13.8%	14.5%	1,776,300	1,407,412	1,648,152	1,087,515	2,648,486	2,622,868	$31.35
B	1,090	71,201,393	11.0%	0.7%	11.7%	11.2%	1,066,330	(316,757)	(343,358)	33,264	134,450	284,500	$23.81
C	208	8,426,951	4.8%	0.0%	4.9%	5.2%	75,799	33,139	12,772	-	-	-	$18.24
Total	**1,658**	**148,028,652**	**11.4%**	**0.9%**	**12.3%**	**12.2%**	**2,918,429**	**1,123,794**	**1,317,566**	**1,120,779**	**2,782,936**	**2,907,368**	**$27.75**
QUARTERLY COMPARISON													
Q2 18	1,658	148,028,652	11.4%	0.9%	12.3%	12.2%	2,918,429	1,123,794	1,317,566	1,120,779	2,782,936	2,907,368	$27.75
Q1 18	1,650	146,798,321	11.2%	1.0%	12.2%	11.7%	2,277,736	193,772	193,772	1,662,157	1,662,157	3,135,140	$27.24
Q4 17	1,643	145,316,164	10.6%	1.1%	11.7%	11.8%	3,161,982	221,264	1,057,302	225,859	2,351,931	4,037,038	$27.13
Q3 17	1,642	145,151,323	10.8%	1.0%	11.8%	12.0%	2,938,636	512,327	836,038	211,675	2,126,072	4,327,922	$26.57
Q2 17	1,642	144,972,800	10.9%	1.1%	12.0%	11.6%	2,797,652	700,208	323,711	1,234,436	1,914,397	4,168,460	$26.54

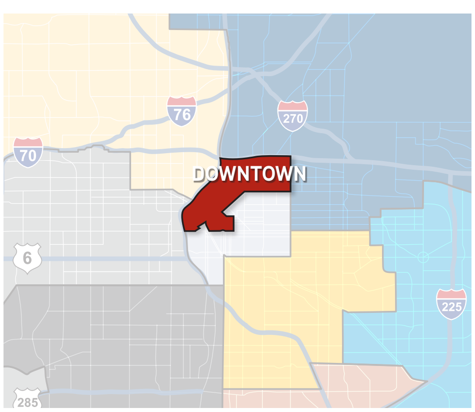
Southeast & Downtown Statistics

Period/Class	Buildings	Total Inventory SF	Direct Vacant SF	Direct Vacancy Rate	Sublease Vacant SF	Sublease Vacancy Rate	Total Vacant SF	Vacancy Rate Current	Leasing Activity SF	Net Absorption Current Qtr. SF	Deliveries Current Qtr. SF	Average Rental Rate (FS)
EXISTING PROPERTIES			VACANCY						ACTIVITY	ABSORP.	CONSTR.	RENTS
DENVER-SOUTHEAST OFFICE MARKET OVERVIEW												
Q2 2018	489	44,691,376	5,309,827	11.9%	556,293	1.2%	5,866,120	13.1%	804,022	303,379	396,098	$25.18
Q1 2018	487	44,295,278	5,208,006	11.8%	565,395	1.3%	5,773,401	13.0%	619,239	18,407	222,070	$24.87
Q4 2017	486	44,073,208	4,961,215	11.3%	608,523	1.4%	5,569,738	12.6%	1,113,626	443,835	115,859	$24.87
Q3 2017	485	43,957,349	5,396,143	12.3%	501,571	1.1%	5,897,714	13.4%	1,505,625	126,284	211,675	$24.99
Q2 2017	484	43,745,674	5,240,529	12.0%	571,794	1.3%	5,812,323	13.3%	943,514	383,313	880,958	$24.94
Q1 2017	479	42,844,716	5,039,256	11.8%	554,990	1.3%	5,594,246	13.1%	1,131,641	(139,524)	47,638	$25.14
Q4 2016	478	42,817,078	4,705,546	11.0%	421,970	1.0%	5,127,516	12.0%	707,190	174,906	0	$24.90
Q3 2016	479	42,929,562	4,985,167	11.6%	429,167	1.0%	5,414,334	12.6%	1,575,738	(274,920)	0	$24.29
Q2 2016	479	42,929,562	4,787,086	11.2%	352,900	0.8%	5,139,986	12.0%	1,144,934	34,043	0	$23.85
DENVER-SOUTHEAST OFFICE SUBMARKET BREAKOUT BY CLASS												
A	156	24,672,373	2,936,557	11.9%	378,939	1.5%	3,315,496	13.4%	439,204	428,854	396,098	$27.07
B	299	18,818,522	2,293,847	12.2%	175,302	0.9%	2,469,149	13.1%	349,018	(128,239)	0	$23.14
C	34	1,200,481	79,423	6.6%	2,052	0.2%	81,475	6.8%	15,800	2,764	0	$16.30
Total	**489**	**44,691,376**	**5,309,827**	**11.9%**	**556,293**	**1.2%**	**5,866,120**	**13.1%**	**804,022**	**303,379**	**396,098**	**$25.18**
DENVER-DOWNTOWN OFFICE SUBMARKET OVERVIEW												
Q2 2018	224	37,916,028	4,908,988	12.9%	414,271	1.1%	5,323,259	14.0%	962,850	497,652	238,481	$34.76
Q1 2018	222	37,542,463	4,729,989	12.6%	515,707	1.4%	5,245,696	14.0%	815,857	317,042	1,162,313	$34.16
Q4 2017	219	36,560,150	4,311,410	11.8%	684,448	1.9%	4,995,858	13.7%	1,054,095	70,206	110,000	$33.98
Q3 2017	218	36,450,150	4,261,616	11.7%	694,497	1.9%	4,956,113	13.6%	657,918	286,976	0	$33.43
Q2 2017	218	36,450,150	4,538,477	12.5%	704,612	1.9%	5,243,089	14.4%	872,089	101,346	53,478	$33.52
Q1 2017	217	36,396,672	4,535,784	12.5%	755,173	2.1%	5,290,957	14.5%	1,237,420	(243,519)	347,653	$33.22
Q4 2016	215	36,049,019	4,039,406	11.2%	660,379	1.8%	4,699,785	13.0%	1,493,420	(10,066)	309,988	$33.46
Q3 2016	214	35,739,031	3,775,376	10.6%	604,355	1.7%	4,379,731	12.3%	904,015	(166,543)	0	$33.51
Q2 2016	214	35,739,031	3,753,322	10.5%	459,866	1.3%	4,213,188	11.8%	1,420,757	(211,822)	66,000	$34.00
DENVER-DOWNTOWN OFFICE SUBMARKET BREAKOUT BY CLASS												
A	71	25,282,600	3,487,600	13.8%	274,430	1.1%	3,762,030	14.9%	821,780	593,168	238,481	$36.18
B	132	11,313,351	1,383,805	12.2%	139,841	1.2%	1,523,646	13.5%	141,070	(79,582)	0	$30.05
C	21	1,320,077	37,583	2.8%	0	0.0%	37,583	2.8%	0	(15,934)	0	$25.76
Total	**224**	**37,916,028**	**4,908,988**	**12.9%**	**414,271**	**1.1%**	**5,323,259**	**14.0%**	**962,850**	**497,652**	**238,481**	**$34.76**

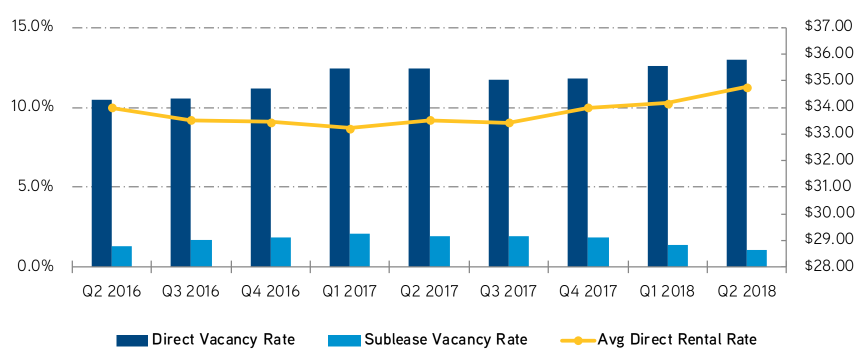
Denver I Southeast Office Market





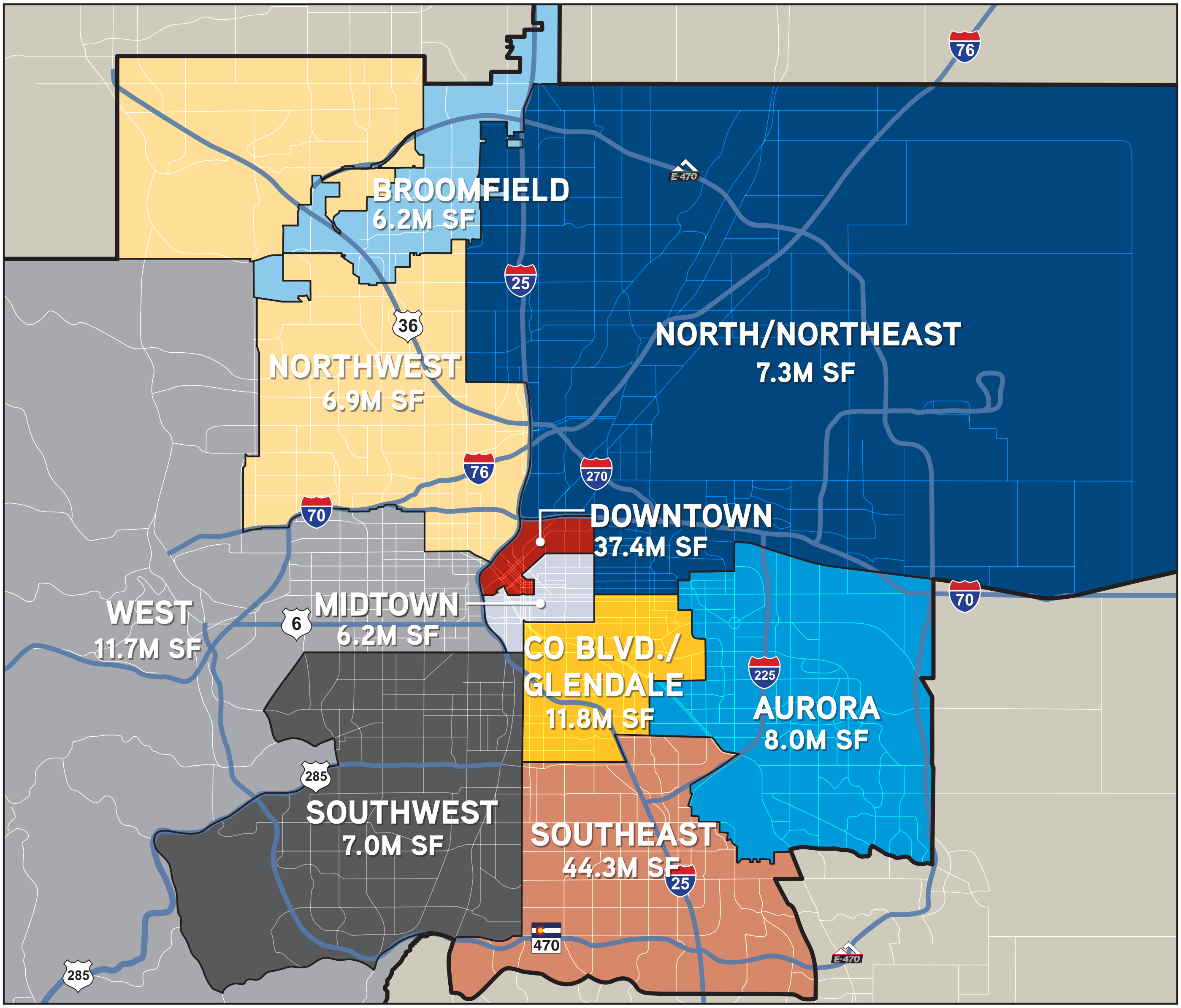


Denver I Downtown Office Market



Submarket Map

**Existing Inventory*



SIGNIFICANT RECENT TRANSACTIONS					
SALES ACTIVITY					
PROPERTY	SUBMARKET	SALE PRICE	SIZE SF	BUYER	SELLER
LoDo Towers* 1331 & 1401 17th Street	Downtown	$189,000,000	411,438	CIM Group	Zeller Realty Corp.
Key Bank Building 3300 East 1st Avenue	Colorado Blvd/Glendale	$37,550,000	93,611	GEM Realty	Ogilvie Properties Inc.
370 Interlocken 370 Interlocken Boulevard	Broomfield	$29,000,000	150,656	Equus Capital Partners	Rialto Capital Management

Two Property Portfolio

LEASING ACTIVITY				
PROPERTY	SUBMARKET	BLDG. CLASS	LEASED SF	COMPANY
830 Potomac 830 Potomac Circle	Aurora	B	105,806	Children's Hospital of Colorado
ATRIA - North Building 13699 Via Varra Road	Broomfield	A	88,293	AppExtremes, LLC dba Conga
Tabor Center 1200 17th Street	CBD	A	83,792	WeWork (Expansion)

413 offices in
69 countries on
6 continents

United States: **145**
Canada: **28**
Latin America: **23**
Asia Pacific: **86**
EMEA: **131**

$2.7
billion in
annual revenue

2.0
billion square feet
under management

15,400
professionals
and staff

About Colliers International

Colliers International Group Inc. (NASDAQ: CIGI; TSX: CIG) is a global leader in commercial real estate services with more than 15,000 professionals operating from 396 offices in 68 countries. With an enterprising culture and significant insider ownership, Colliers professionals provide a full range of services to real estate occupiers, owners and investors worldwide. Services include brokerage, global corporate solutions, investment sales and capital markets, project management and workplace solutions, property and asset management, consulting, valuation and appraisal services, and customized research and thought leadership. Colliers International has been ranked among the top 100 outsourcing firms by the International Association of Outsourcing Professionals' Global Outsourcing for 10 consecutive years, more than any other real estate services firm.

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