

Denver's Office Market Reaping Benefits of a Healthy Economy

MARKET OVERVIEW

Denver's office market once again performed well during the past quarter with a decrease in vacancy, a small bump in asking rental rates, and positive absorption of more than 1.1 million square feet. Corporate relocation and expansion into the Denver market continues to create leasing demand and stabilize vacancy, as is evident by VF Corporation's decision to relocate its global headquarters to Denver from North Carolina. More than 3 million square feet of office product is in the construction pipeline with several more projects scheduled to break ground during the fourth quarter. With solid fundamentals and robust office investment activity, confidence in Denver's office market remains strong.

MARKET INDICATORS*

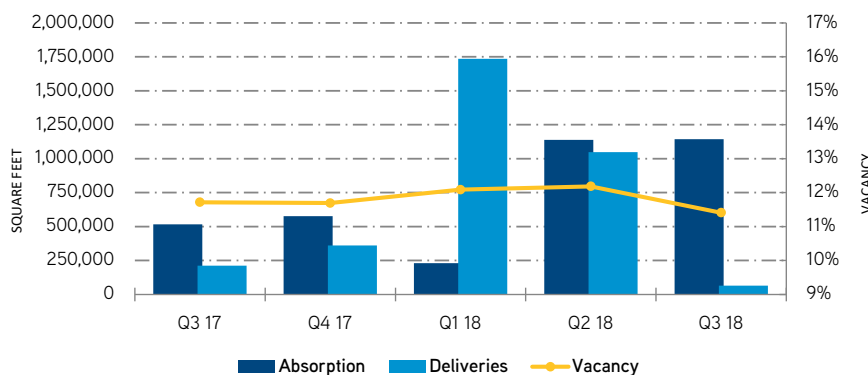
	Q3 2018	Projected Q4 2018
VACANCY	↓	↔
NET ABSORPTION	+	+
DELIVERIES	↓	↓
RENTAL RATE	↑	↔

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

SUMMARY STATISTICS

	Q3 2017	Q3 2018
VACANCY RATE	11.7%	11.4%
ABSORPTION YTD	871,828	2,511,256
DELIVERIES YTD	2,439,884	2,847,936
UNDER CONSTRUCTION	4,327,922	3,084,857
ASKING RENTS/SF	\$26.55	\$27.61

Denver Office Market Q3 2017-Q3 2018



Source: CoStar, Colliers Research

HIGHLIGHTED ECONOMIC TRENDS

Local Unemployment Rates

As of **August 2018**, the Bureau of Labor Statistics indicated the estimated unemployment rate for the Metro Denver area at **3.3 percent**. The National unemployment rate is **3.9 percent**.

Local Employment Growth

Metro Denver total employment increased by approximately **45,000 jobs** between **August 2017** and **August 2018**.

Investment Sales

Third quarter investment activity totaled more than **\$486 million** throughout Metro Denver. Up **150%** from **Q3 2017**.

Office absorption totaled more than 1.1 million square feet during Q3.

ABSORPTION

With nine out of ten submarkets recording positive absorption, metro office absorption totaled more than 1.1 million square feet during the third quarter. Even though Chipotle never occupied its nearly 152,000 square feet at 1144 Fifteenth, the Downtown submarket reported positive net absorption of 474,482 square feet during the quarter. The metro's other top submarket, the Southeast, reported positive absorption of 407,569 square feet as Western Union occupied 85,000 square feet at 7979 E. Tufts Ave. Overall, Class A buildings accounted for 646,405 square feet of the metro's reported positive net absorption during the quarter, while metro Class B buildings reported positive net absorption of 494,567 square feet, respectively. In contrast, Class C product experienced positive net absorption just under 2,000 square feet – suggesting the flight to quality space persists in Denver's healthy economy.

VACANCY

The overall third quarter vacancy rate decreased by approximately 80 basis points to 11.4 percent. Even with more than 3 million square feet of office product in the construction pipeline, vacancy is expected to remain relatively stable near the 12 percent mark as tenants occupy their preleased space. The Downtown submarket accounted for nearly half of the leasing activity and had the most notable lease of the third quarter. VF Corporation signed a lease at 1551 Wewatta Street to occupy the entire building – a total of 285,000 square feet. 1551 Wewatta will be VF Corporation's new global headquarters, combining their corporate headquarters with five of their brands; The North Face, Jansport, Smartwool, Eagle Creek and Altra. Renovations will begin next year and have a targeted completion date in early 2020.

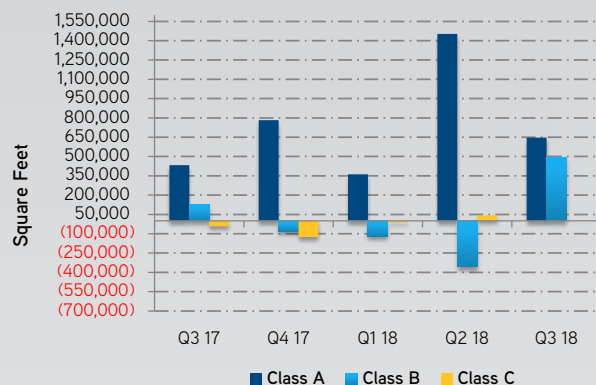
DELIVERIES & CONSTRUCTION

Third quarter metro deliveries, totaling 65,000 square feet, slowed significantly compared to the previous quarter. However, year-to-date deliveries have increased compared to 2017, with just over 2.85 million square feet delivered to the market through end of September, compared to the 2.44 million square feet delivered through September 2017. Current construction activity in metro Denver totals over 3 million square feet. The final quarter of 2018 is anticipated to see the delivery of 16 Chestnut and the Hub in the Downtown submarket, as well as the delivery of 50 FIFTY DTC in the Southeast submarket. Construction of 6900 Layton, the second office building at the Bellevue Station transit-oriented development site, is scheduled to begin early in the fourth quarter. The 382,000-square-foot, Class A building, will be the home of Newmont Mining's new headquarters. They will occupy 145,000 square feet, approximately 40 percent of the building, when they move into the top four floors.

RENTAL RATES

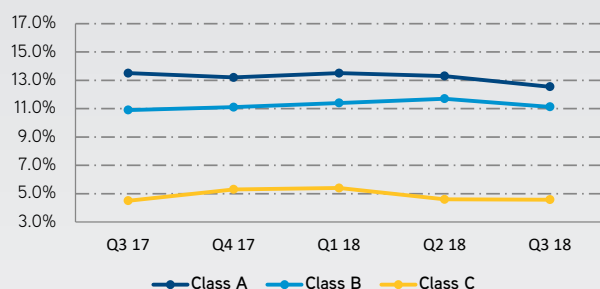
The overall third quarter asking rental rate for office space in Metro Denver was \$27.61/SF – a nearly 4 percent increase year-over-year. While overall asking rates continue to increase, six of the ten submarkets experienced slight decreases in asking rates quarter-over-quarter. However, we are not likely to experience a decline in year-over-year average asking rates, perhaps just slight moderation in asking rates compared to previous years. Average asking rates in the Downtown submarket remained relatively stable – down slightly to \$34.59/SF in the third quarter from \$34.64/SF in the second quarter. Rental rates overall are expected to grow slightly through the end of the year as new Class A product is delivered to the market and office users continue to demand high-end space.

Absorption



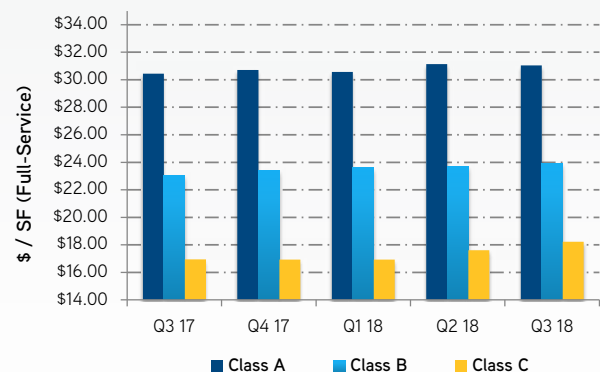
Source: CoStar, Colliers Research

Vacancy



Source: CoStar, Colliers Research

Rental Rates



Source: CoStar, Colliers Research

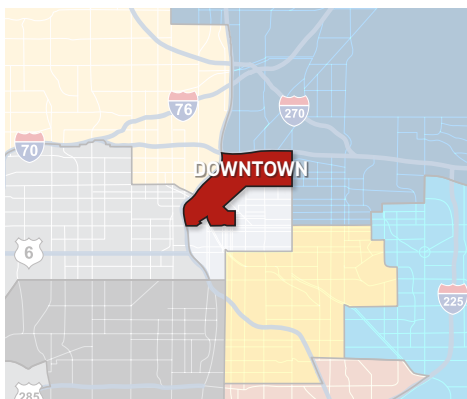
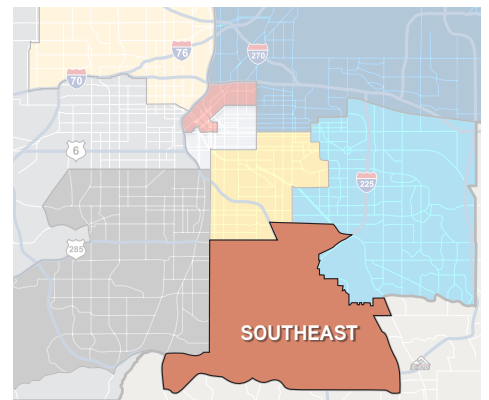
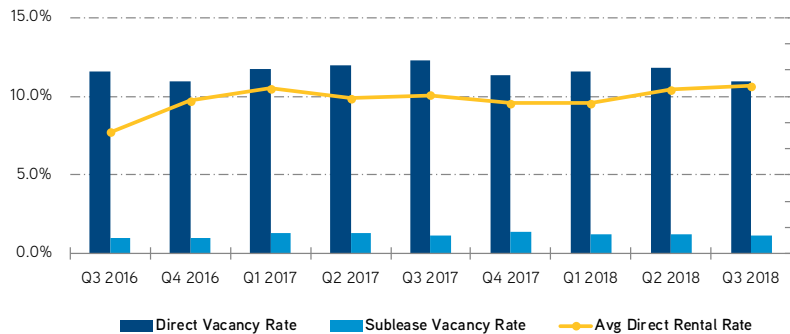
Submarket Statistics

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	25,355,189	11.5%	1.5%	13.0%	14.5%	924,413	467,122	1,440,524	-	1,400,794	1,875,170	\$36.10
B	132	11,315,067	11.7%	1.7%	13.4%	13.5%	139,243	7,360	(135,414)	-	-	67,000	\$30.08
C	20	1,295,077	1.7%	0.0%	1.7%	1.7%	-	-	0	-	-	-	\$19.96
Total	223	37,965,333	11.2%	1.5%	12.7%	14.0%	1,063,656	474,482	1,305,110	-	1,400,794	1,942,170	\$34.59
MIDTOWN													
SOUTH MIDTOWN/CAPITOL HILL													
A	7	1,110,758	2.6%	2.4%	5.0%	5.7%	-	7,975	2,221	-	-	146,805	\$29.69
B	54	3,476,463	4.6%	0.0%	4.6%	4.7%	16,387	4,371	(101,933)	-	-	-	\$27.07
C	35	1,489,800	3.4%	0.0%	3.4%	3.3%	1,355	(1,093)	(18,819)	-	-	-	\$17.66
Total	96	6,077,021	3.9%	0.4%	4.4%	4.6%	17,742	11,253	(118,531)	-	-	146,805	\$25.69
SUBURBAN													
AURORA													
A	13	1,817,371	7.1%	0.0%	7.1%	8.0%	-	16,000	16,000	-	-	-	\$23.84
B	78	5,478,091	9.8%	0.2%	10.0%	10.5%	49,343	30,203	(13,398)	-	-	-	\$19.68
C	17	595,381	3.5%	0.0%	3.5%	4.0%	-	3,060	11,234	-	-	-	\$13.04
Total	108	7,890,843	8.7%	0.1%	8.8%	9.5%	49,343	49,263	13,836	-	-	-	\$20.11
BROOMFIELD													
A	23	3,447,505	6.7%	0.5%	7.2%	9.8%	46,937	88,000	103,045	-	176,588	159,000	\$26.98
B	31	2,808,051	8.9%	0.0%	8.9%	7.7%	-	(34,969)	(5,606)	-	-	42,500	\$24.46
Total	54	6,255,556	7.7%	0.3%	8.0%	8.8%	46,937	53,031	97,439	-	176,588	201,500	\$26.32
COLORADO BOULEVARD/GLENDALE													
A	26	4,243,470	17.7%	0.3%	18.0%	17.9%	119,448	(5,407)	82,510	-	117,236	205,666	\$32.12
B	96	6,876,467	8.7%	0.7%	9.4%	10.1%	78,456	47,774	16,165	-	-	89,000	\$25.86
C	25	1,031,525	11.2%	0.0%	11.2%	12.1%	2,020	8,753	15,798	-	-	-	\$19.87
Total	147	12,151,462	12.0%	0.5%	12.5%	13.0%	199,924	51,120	114,473	-	117,236	294,666	\$27.83
NORTH/NORTHEAST													
A	12	1,294,382	9.1%	1.7%	10.8%	11.9%	9,957	15,248	(18,154)	-	-	-	\$25.95
B	78	5,526,010	9.2%	0.3%	9.5%	9.5%	27,357	912	6,938	-	43,586	37,500	\$22.03
C	17	974,069	2.6%	0.0%	2.6%	2.6%	2,129	395	(724)	-	-	-	\$15.09
Total	107	7,794,461	8.4%	0.5%	8.8%	9.1%	39,443	16,555	(11,940)	-	43,586	37,500	\$22.75
NORTHWEST													
A	26	2,450,774	24.0%	0.7%	24.7%	16.9%	3,629	(192,424)	(251,487)	-	57,700	125,000	\$25.79
B	91	4,111,567	11.2%	0.5%	11.8%	14.0%	54,209	149,464	68,572	65,000	155,864	8,500	\$22.42
C	16	558,289	5.0%	0.0%	5.0%	5.8%	2,261	4,085	(278)	-	-	-	\$22.26
Total	133	7,120,630	15.1%	0.6%	15.7%	14.4%	60,099	(38,875)	(183,193)	65,000	213,564	133,500	\$24.06
SOUTHEAST													
A	157	25,040,388	10.6%	1.5%	12.1%	13.1%	277,229	250,027	816,990	-	618,168	235,000	\$26.89
B	301	18,920,195	11.6%	0.9%	12.5%	13.3%	244,145	161,408	(18,178)	-	-	61,356	\$23.24
C	33	1,172,731	6.9%	0.1%	6.9%	6.6%	5,142	(3,866)	1,817	-	-	-	\$17.04
Total	491	45,133,314	10.9%	1.2%	12.1%	13.0%	526,516	407,569	800,629	-	618,168	296,356	\$25.19
SOUTHWEST													
A	6	1,282,497	10.5%	0.0%	10.5%	11.0%	-	6,385	(39,970)	-	-	32,360	\$27.14
B	101	5,033,997	10.1%	0.2%	10.2%	12.3%	187,541	102,830	39,999	-	-	-	\$18.11
C	17	634,440	1.4%	0.0%	1.4%	1.9%	4,205	3,294	20,047	-	-	-	\$13.30
Total	124	6,950,934	9.4%	0.1%	9.5%	11.1%	191,746	112,509	20,076	-	-	32,360	\$20.02
WEST													
A	23	2,941,308	7.2%	1.4%	8.6%	8.4%	49,679	(6,521)	307,922	-	278,000	-	\$27.09
B	134	8,349,709	11.6%	0.3%	11.9%	12.2%	73,022	25,214	161,212	-	-	-	\$22.09
C	26	716,666	4.9%	0.0%	4.9%	3.2%	16,146	(12,702)	4,223	-	-	-	\$16.06
Total	183	12,007,683	10.1%	0.6%	10.7%	10.7%	138,847	5,991	473,357	-	278,000	-	\$22.74
SUBURBAN TOTAL													
A	286	42,517,695	11.4%	1.1%	12.5%	12.9%	506,879	171,308	1,016,856	-	1,247,692	757,026	\$27.26
B	910	57,104,087	10.6%	0.5%	11.1%	11.8%	714,073	482,836	255,704	65,000	199,450	238,856	\$22.59
C	151	5,683,101	5.5%	0.0%	5.5%	5.6%	31,903	3,019	52,117	-	-	-	\$18.20
Total	1,347	105,304,883	10.6%	0.7%	11.3%	11.9%	1,252,855	657,163	1,324,677	65,000	1,447,142	995,882	\$24.55
DENVER MARKET GRAND TOTAL													
A	364	68,983,642	11.2%	1.3%	12.5%	13.5%	1,431,292	646,405	2,459,601	-	2,648,486	2,779,001	\$31.05
B	1,096	71,895,617	10.5%	0.7%	11.1%	11.7%	869,703	494,567	18,357	65,000	199,450	305,856	\$23.92
C	206	8,467,978	4.6%	0.0%	4.6%	4.6%	33,258	1,926	33,298	-	-	-	\$18.23
Total	1,666	149,347,237	10.5%	0.9%	11.4%	12.2%	2,334,253	1,142,898	2,511,256	65,000	2,847,936	3,084,857	\$27.61
QUARTERLY COMPARISON													
Q3 18	1,666	149,347,237	10.5%	0.9%	11.4%	12.2%	2,334,253	1,142,898	2,511,256	65,000	2,847,936	3,084,857	\$27.61
Q2 18	1,665	149,282,237	11.2%	0.9%	12.2%	12.1%	3,193,015	1,137,775	1,368,360	1,047,815	2,782,936	2,907,368	\$27.55
Q1 18	1,658	148,137,373	11.1%	1.0%	12.1%	11.7%	2,385,320	230,585	230,585	1,735,121	1,735,121	3,135,140	\$27.05
Q4 17	1,650	146,655,216	10.6%	1.1%	11.7%	11.7%	3,117,903	576,355	1,448,183	360,859	2,800,743	4,037,038	\$26.96
Q3 17	1,647	146,041,563	10.8%	1.0%	11.7%	12.0%	2,940,562	517,177	871,828	211,675	2,439,884	4,327,922	\$26.55

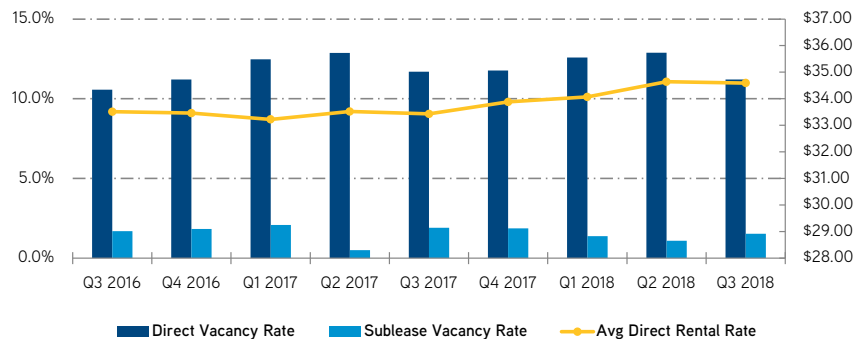
Southeast & Downtown Statistics

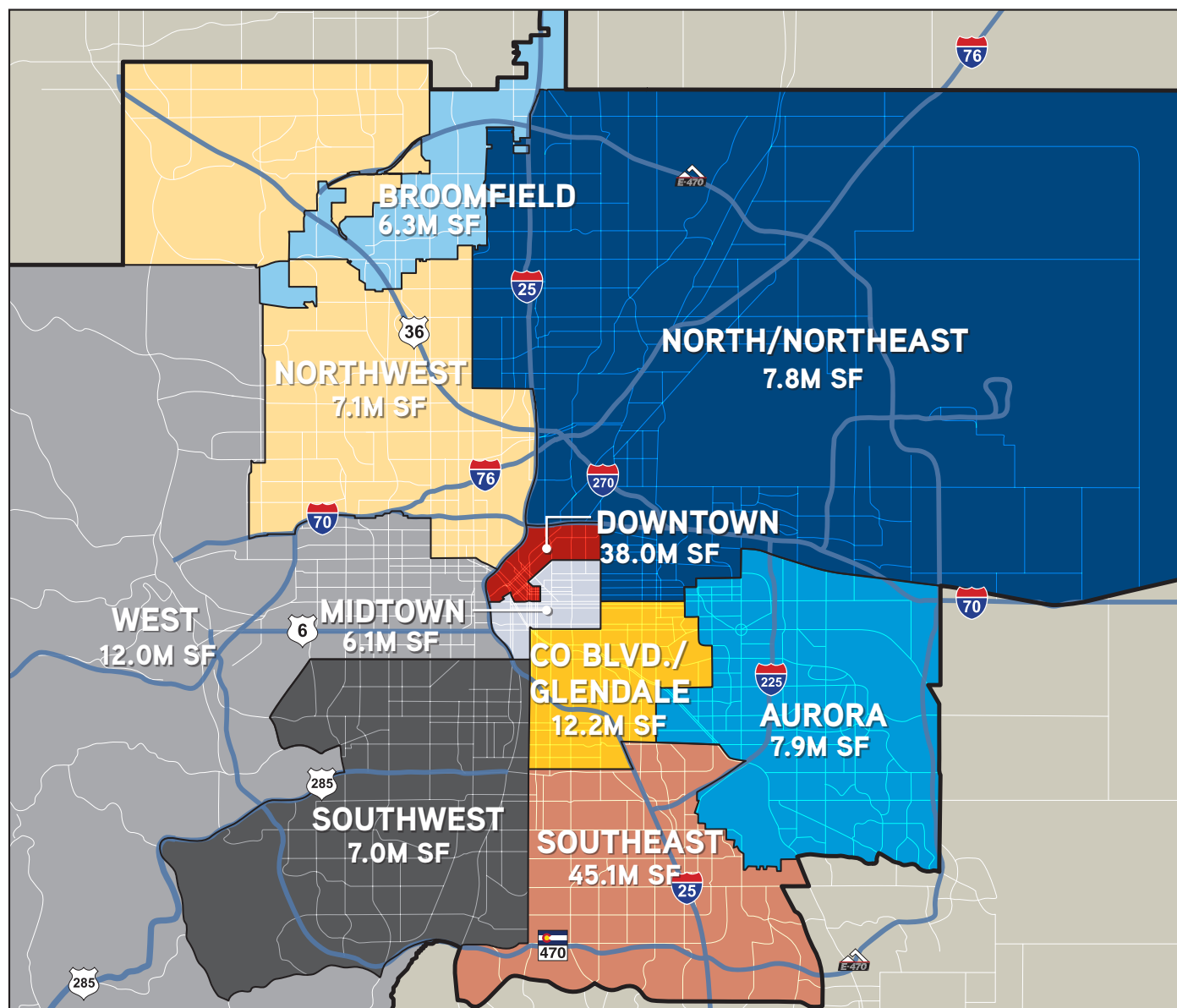
Period/Class	Buildings	Total Inventory SF	Direct Vacant SF	Direct Vacancy Rate	Sublease Vacant SF	Sublease Vacancy Rate	Total Vacant SF	Vacancy Rate Current	Leasing Activity SF	Net Absorption Current Qtr. SF	Deliveries Current Qtr. SF	Average Rental Rate (F\$)
EXISTING PROPERTIES		VACANCY							ACTIVITY	ABSORP.	CONSTR.	RENTS
DENVER-SOUTHEAST OFFICE MARKET OVERVIEW												
Q3 2018	491	45,133,314	4,938,456	10.9%	531,709	1.2%	5,470,165	12.1%	526,516	407,569	0	\$25.19
Q2 2018	491	45,133,314	5,321,441	11.8%	556,293	1.2%	5,877,734	13.0%	935,630	253,010	72,000	\$25.13
Q1 2018	489	44,737,216	5,169,251	11.6%	565,395	1.3%	5,734,646	12.8%	629,515	140,050	546,168	\$24.87
Q4 2017	488	44,515,146	5,044,103	11.3%	608,523	1.4%	5,652,626	12.7%	1,068,571	674,759	115,859	\$24.87
Q3 2017	486	44,085,475	5,396,143	12.2%	501,571	1.1%	5,897,714	13.4%	1,499,695	126,284	211,675	\$25.02
Q2 2017	485	43,873,800	5,240,529	11.9%	571,794	1.3%	5,812,323	13.2%	943,514	383,313	880,958	\$24.96
Q1 2017	480	42,972,842	5,039,256	11.7%	554,990	1.3%	5,594,246	13.0%	1,131,641	(139,524)	361,450	\$25.15
Q4 2016	479	42,945,204	4,705,546	11.0%	421,970	1.0%	5,127,516	11.9%	707,190	174,906	0	\$24.91
Q3 2016	480	43,057,688	4,985,167	11.6%	429,739	1.0%	5,414,906	12.6%	1,575,738	(274,920)	0	\$24.31
DENVER-SOUTHEAST OFFICE SUBMARKET BREAKOUT BY CLASS												
A	157	25,040,388	2,661,883	10.6%	366,235	1.5%	3,028,118	12.1%	277,229	250,027	0	\$26.89
B	301	18,920,195	2,195,785	11.6%	164,875	0.9%	2,360,660	12.5%	244,145	161,408	0	\$23.24
C	33	1,172,731	80,788	6.9%	599	0.1%	81,387	6.9%	5,142	(3,866)	0	\$17.04
Total	491	45,133,314	4,938,456	10.9%	531,709	1.2%	5,470,165	12.1%	526,516	407,569	0	\$25.19
DENVER-DOWNTOWN OFFICE SUBMARKET OVERVIEW												
Q3 2018	223	37,965,333	4,252,989	11.2%	579,628	1.5%	4,832,617	12.7%	1,063,656	474,482	0	\$34.59
Q2 2018	223	37,965,333	4,892,828	12.9%	414,271	1.1%	5,307,099	14.0%	1,050,746	513,586	238,481	\$34.64
Q1 2018	221	37,591,768	4,729,763	12.6%	515,707	1.4%	5,245,470	14.0%	844,527	317,042	1,162,313	\$34.07
Q4 2017	218	36,609,455	4,311,184	11.8%	684,448	1.9%	4,995,632	13.6%	1,056,605	140,481	180,000	\$33.88
Q3 2017	217	36,429,455	4,261,616	11.7%	694,497	1.9%	4,956,113	13.6%	678,813	286,976	0	\$33.43
Q2 2017	217	36,429,455	4,691,063	12.9%	181,026	0.5%	4,872,089	13.4%	872,089	101,346	53,478	\$33.52
Q1 2017	216	36,375,977	4,535,784	12.5%	755,173	2.1%	5,290,957	14.5%	1,493,420	(243,519)	347,653	\$33.22
Q4 2016	214	36,028,324	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	213	35,718,336	3,775,376	10.6%	604,355	1.7%	4,379,731	12.3%	904,015	(166,543)	0	\$33.51
DENVER-DOWNTOWN OFFICE SUBMARKET BREAKOUT BY CLASS												
A	71	25,355,189	2,903,500	11.5%	391,182	1.5%	3,294,682	13.0%	924,413	467,122	0	\$36.10
B	132	11,315,067	1,327,840	11.7%	188,446	1.7%	1,516,286	13.4%	139,243	7,360	0	\$30.08
C	20	1,295,077	21,649	1.7%	0	0.0%	21,649	1.7%	0	0	0	\$19.96
Total	223	37,965,333	4,252,989	11.2%	579,628	1.5%	4,832,617	12.7%	1,063,656	474,482	0	\$34.59

Denver | Southeast Office Market



Denver | Downtown Office Market





SIGNIFICANT RECENT TRANSACTIONS

SALES ACTIVITY

PROPERTY	SUBMARKET	SALE PRICE	SIZE SF	BUYER	SELLER
1670 Broadway	CBD	\$238,000,000	704,566	Hana Financial Group	UBS Realty Investors
Circle Point Corporate Center I & II	Northwest	\$59,800,000	275,599	City Office REIT	Northridge Capital
Tamarac Plaza I, II & III	Southeast	\$45,400,000	355,269	Redstone Holdings	Parallel Capital Partners
Cherry Creek Place I & II	Aurora	\$39,700,000	406,816	Pennybacker Capital, LLC	Northstar Commercial Partners

LEASING ACTIVITY

PROPERTY	SUBMARKET	BLDG. CLASS	LEASED SF	COMPANY
1551 Wewatta Street	LoDo	A	285,000	VF Corporation
Wells Fargo Center 1700 Lincoln Street	CBD	A	135,178	Whiting Petroleum
Wells Fargo Center 1700 Lincoln Street	CBD	A	117,060	WeWork

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.

MARKET CONTACTS:

Robert Whittelsey
Principal
+1 303 283 4581
robert.whittelsey@colliers.com

Jason Sheehy
Principal
+1 303 283 4593
jason.sheehy@colliers.com

Chris Wiley
Principal
+1 303 283 4588
chris.wiley@colliers.com

Katy Sheehy
Vice President
+1 303 283 4563
katy.sheehy@colliers.com

Jeremy Reeves
Vice President
+1 303 283 1375
jeremy.reeves@colliers.com

Matthew Ball
Vice President
+1 303 309 3526
matt.ball@colliers.com

Abby Pattillo
Associate
+1 303 283 4579
abby.pattillo@colliers.com

Colliers International | Denver Tech Center
4643 S. Ulster Street, Suite 1000
Denver, CO | USA

Phil Sweeney
Senior V.P.
+1 303 565 3785
phil.sweeney@colliers.com

Jonathan Jones
Senior V.P.
+1 303 283 4582
jonathan.jones@colliers.com

Colliers International | Downtown Denver
1200 17th Street, Suite 600
Denver, CO | USA

REGIONAL AUTHORS:

Tyson Price
Research Director
+1 303 283 4561
tyson.price@colliers.com

Claire Anhalt
Research Analyst
+1 720 833 4628
claire.anhalt@colliers.com

