

Q1 2015

Office Market Report

DENVER METRO AREA



Metro Kicks-Off 2015 with Over 225,000 Square Feet of Absorption

MARKET OVERVIEW

After a well-performing 2014, the Metro Denver office market holds steady throughout the first quarter 2015. Unease with falling oil prices in the latter stages of 2014 and early 2015 quickly manifested into concerns to the effect falling oil prices would have on the Metro Denver office market. To date, it is estimated approximately 25 percent of the downtown Denver office inventory is occupied by oil and gas and energy related tenants. As oil and gas companies reduced their operations budgets for 2015, after historic production levels during 2014, it was perceived this would have a negative effect on office support staff and translate to an increase in vacated office space. While there has been an increase in sublease space available on the market, Denver's diversified economy, with its wide variety of professional industries helped contribute positive net absorption overall for the metro area.

Denver's diversified professional industries helped contribute positive net absorption of over **225,000 SF** with vacancy experiencing little-to-no change with an overall vacancy rate of **12%**.

MARKET INDICATORS*

	Q1 2015	Projected Q2 2015
VACANCY	↔	↓
NET ABSORPTION	+	+
DELIVERIES	↓	↑
RENTAL RATE	↑	↑

SUMMARY STATISTICS

	Q1 2014	Q1 2015
VACANCY RATE	12.7%	12.0%
ABSORPTION YTD	363,903 SF	225,304 SF
DELIVERIES YTD	56,000 SF	21,660 SF
UNDER CONSTRUCTION	1,673,433 SF	2,200,602 SF
ASKING RENTS/SF	\$22.67/SF	\$23.96/SF

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

HIGHLIGHTED ECONOMIC TRENDS

Demand

Metro Denver office market starts off strong with over **225,000 square feet of positive net absorption** during the **first quarter 2015**.

National Employment Growth

The National unemployment rate fell to **5.5 percent** as of **February 2015**, which is down year-over-year when unemployment stood at **6.7 percent**.

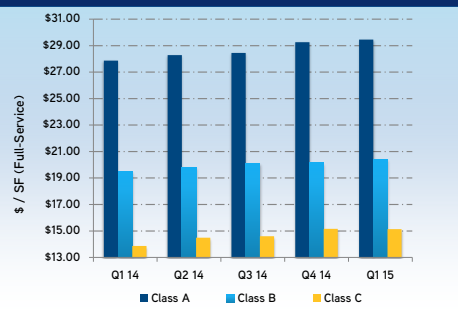
Local Employment Growth

As of **February 2015**, the Bureau of Labor Statistics indicated the estimated **unemployment rate** for the Metro Denver area at **4.5 percent** – a slight increase from the previous month, but well below the previous year's unemployment rate of **6.1 percent** in **February 2014**.

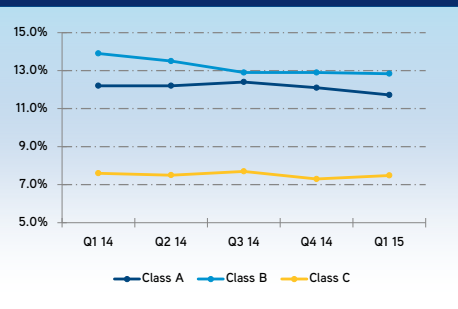
Investment Sales

Investment activity during the first quarter totaled over **\$645,000,000** throughout Metro Denver with nearly **6M SF** **six million square feet** trading hands.

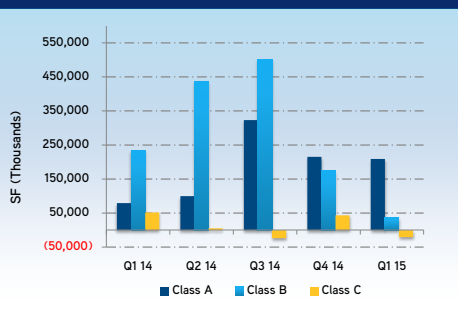
RENTAL RATES



VACANCY



ABSORPTION



ABSORPTION

The first quarter experienced over 225,000 square feet of positive net absorption. The suburban and CBD submarkets contributed 52 percent and 48 percent, respectively, of this quarter’s occupancy gains. Class A and B buildings in the suburban markets reported positive net absorption; 107,888 square feet for Class A, while Class B reported 26,954 square feet of absorption. Class C buildings in the suburban markets reported negative absorption of 17,027 square feet. The Downtown market contributed positive net absorption of 107,489 square feet; 100,947 square feet in Class A; 10,124 square feet in Class B, and negative 3,582 square feet in Class C product.

VACANCY

The overall first quarter vacancy rate totaled 12 percent, showing relatively no change from the previous fourth quarter rate. Compared to the first quarter 2014, the overall vacancy rate has decreased 70 basis points. Lower vacancy rates in the Aurora and Broomfield submarkets offset increases in vacancy rates in the Southeast and North/Northeast submarkets. The overall Aurora vacancy rate was reported at 10.4 percent – down from 11.5 percent the previous quarter. Broomfield’s first quarter vacancy rate of 10 percent experienced the largest decrease in overall vacancy from 12 percent the previous quarter. Vacancy in the Downtown submarket has decreased to 10.3 percent in the first quarter, which is down 40 basis points from the previous quarter and down 160 basis points year-over-year.

DELIVERIES & CONSTRUCTION

At the end of the first quarter, approximately 2,200,000 square feet is currently under construction over 15 properties throughout the Metro Denver office market. Deliveries slowed during the first quarter and are well behind pace compared to 2014. The first quarter delivered a total of 21,660 square feet to the market.

Class A product tallies nearly 92 percent of Denver’s CBD construction currently underway. Construction of the 318,000-square-foot Class AA One Belleview Station located in the Denver Tech Center, recently broke ground and is slated for completion in 2016.

Deliveries are likely to increase during the second half of 2015 as several projects are scheduled for completion. The Hines building at 1601 Wewatta totaling 299,000 square feet, is scheduled for delivery in June 2015 and the 274,000-square-foot CoBank Center is scheduled for completion in October 2015.

RENTAL RATES

Overall direct asking rental rates increased to \$23.96 per square foot (full service) in the first quarter—a \$1.29 per square foot, or 5.6 percent increase, from the first quarter 2014 when the average asking rate was \$22.67 per square foot. Asking rental rates for Class A space throughout the Metro Denver area averaged \$29.45 per square foot during the first quarter – a 5.4 percent increase year-over-year. Class B rental rates appreciated 5.3 percent year-over-year indicating an average asking rate of \$20.40 per square foot during the first quarter.

SIGNIFICANT RECENT TRANSACTIONS

SALES ACTIVITY

PROPERTY	SUBMARKET	SALE PRICE	SIZE SF	BUYER	SELLER
1515 Wynkoop 1513-1530 Wynkoop Street Denver	LoDo	\$171,937,500	306,791	Invesco Advisors, Inc.	American Realty Advisors
Greenwood Corporate Plaza 8000 E. Maplewood Avenue Greenwood Village	Southeast	\$91,500,000	620,797	ScanlanKemper-Bard Companies	Broadreach Capital Partners
Alamo Plaza 1401 17th Street Denver	CBD	\$75,200,000	191,152	Zeller Realty Group	Lowe Enterprises Investors

LEASING ACTIVITY

PROPERTY	SUBMARKET	BLDG. CLASS	LEASED SF	COMPANY
1515 Arapahoe St.	CBD	A	189,722	Bridgepoint Education
10350 Park Meadows Dr.	Lone Tree	B	161,218	TW Telecom
6501 S. Fiddler’s Green Cir.	Greenwood Village	A	132,585	Fidelity Investments

SALES ACTIVITY

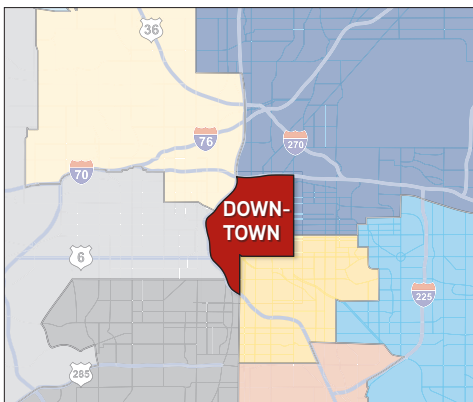
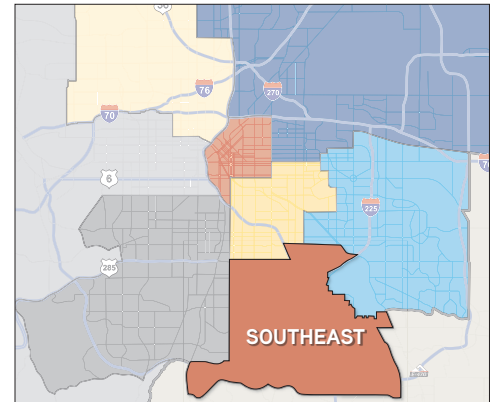
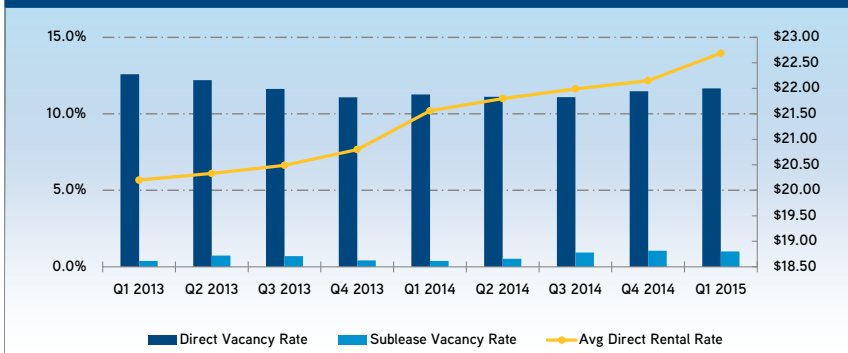
Sales activity during the first quarter totaled over \$645,000,000 – down 15.6 percent from the previous quarter. The most notable office sale during the first quarter was 1515 Wynkoop in LoDo. 1515 Wynkoop traded hands at nearly \$172,000,000, or \$560.44 per square foot. Other notable sales in the metro included Greenwood Corporate Plaza at 8051 East Maplewood Avenue in Greenwood Village, which sold for \$91,500,000, or \$147.39 per square foot, and Downtown’s Alamo Plaza which sold for \$75,200,000, or \$393.40 per square foot. The average sale price during the first quarter averaged \$150.43 per square foot—which is up roughly \$18 per square foot from the previous quarter.

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													
A	50	21,603,546	10.9%	1.2%	12.1%	12.6%	410,045	100,947	100,947	-	-	853,367	\$34.77
B	166	11,346,813	7.3%	1.2%	8.4%	8.4%	110,377	10,124	10,124	10,651	10,651	78,576	\$28.01
C	45	1,732,644	1.0%	0.0%	1.0%	0.8%	907	(3,582)	(3,582)	-	-	-	\$29.42
Total	261	34,683,003	9.2%	1.1%	10.3%	10.6%	521,329	107,489	107,489	10,651	10,651	931,943	\$32.96
SUBURBAN													
AURORA													
A	12	1,809,923	5.2%	0.0%	5.2%	6.2%	1,333	18,055	18,055	-	-	112,000	\$22.12
B	111	5,537,357	11.7%	0.1%	11.7%	13.0%	32,226	70,100	70,100	-	-	-	\$18.03
C	34	848,578	12.4%	0.0%	12.4%	12.6%	4,701	1,603	1,603	-	-	-	\$11.37
Total	157	8,195,858	10.3%	0.1%	10.4%	11.5%	38,260	89,758	89,758	-	-	112,000	\$17.74
BROOMFIELD													
A	19	3,067,131	9.7%	1.0%	10.7%	14.8%	47,552	125,616	125,616	-	-	-	\$30.26
B	45	3,005,902	8.7%	0.8%	9.5%	9.3%	45,762	4,141	4,141	11,009	11,009	-	\$23.11
C	4	59,982	0.0%	0.0%	0.0%	0.0%	-	-	-	-	-	-	\$17.50
Total	68	6,133,015	9.1%	0.9%	10.0%	12.0%	93,314	129,757	129,757	11,009	11,009	-	\$26.88
COLORADO BOULEVARD/GLENDALE													
A	22	3,609,080	8.5%	0.1%	8.6%	8.7%	29,993	5,981	5,981	-	-	242,600	\$24.53
B	137	7,306,902	12.1%	0.1%	12.3%	12.3%	65,767	4,663	4,663	-	-	27,090	\$20.88
C	63	1,300,902	4.3%	0.0%	4.3%	4.5%	1,289	2,989	2,989	-	-	-	\$19.22
Total	222	12,216,884	10.2%	0.1%	10.3%	10.4%	97,049	13,633	13,633	-	-	269,690	\$21.73
NORTH/NORTHEAST													
A	11	1,518,527	30.0%	0.0%	30.0%	29.5%	0	(8,400)	(8,400)	-	-	-	\$22.03
B	126	5,415,767	8.8%	1.1%	9.9%	9.8%	14,509	(1,421)	(1,421)	-	-	12,192	\$18.18
C	35	858,235	18.2%	0.0%	18.2%	10.8%	5,220	(63,959)	(63,959)	-	-	-	\$13.02
Total	172	7,792,529	14.0%	0.8%	14.7%	13.8%	19,729	(73,780)	(73,780)	-	-	12,192	\$18.12
NORTHWEST													
A	19	2,014,146	14.0%	1.4%	15.4%	12.9%	5,458	(49,729)	(49,729)	-	-	-	\$24.60
B	170	5,141,625	10.9%	0.4%	11.3%	11.3%	50,215	2,269	2,269	-	-	-	\$19.10
C	51	974,054	7.5%	1.2%	8.7%	9.5%	2,025	7,511	7,511	-	-	-	\$13.18
Total	240	8,129,825	11.3%	0.7%	12.0%	11.5%	57,698	(39,949)	(39,949)	-	-	-	\$20.16
SOUTHEAST													
A	136	21,485,029	10.1%	1.5%	11.6%	11.6%	395,385	(13,904)	(13,904)	-	-	709,777	\$25.65
B	422	21,523,707	13.7%	0.6%	14.3%	14.1%	348,517	(46,680)	(46,680)	-	-	45,000	\$19.91
C	79	1,773,202	5.0%	0.0%	5.0%	5.2%	13,549	2,402	2,402	-	-	-	\$14.15
Total	637	44,781,938	11.7%	1.0%	12.7%	12.5%	757,451	(58,182)	(58,182)	-	-	754,777	\$22.69
SOUTHWEST													
A	5	1,246,467	4.0%	1.3%	5.3%	5.1%	1,372	(2,406)	(2,406)	-	-	-	\$25.87
B	157	5,921,260	16.7%	0.3%	17.1%	17.3%	63,577	12,105	12,105	-	-	-	\$16.68
C	62	1,236,837	11.3%	0.0%	11.3%	13.2%	3,427	24,070	24,070	-	-	-	\$13.68
Total	224	8,404,564	14.0%	0.4%	14.5%	14.9%	68,376	33,769	33,769	-	-	-	\$16.77
WEST													
A	17	1,913,296	5.8%	2.4%	8.2%	9.9%	73,195	32,675	32,675	-	-	-	\$27.79
B	207	8,584,106	16.9%	0.3%	17.2%	17.0%	89,081	(18,223)	(18,223)	-	-	120,000	\$19.68
C	79	1,421,131	8.1%	0.0%	8.1%	8.7%	977	8,357	8,357	-	-	-	\$14.12
Total	303	11,918,533	14.0%	0.6%	14.7%	14.9%	163,253	22,809	22,809	-	-	120,000	\$20.04
SUBURBAN TOTAL													
A	241	36,663,599	10.3%	1.2%	11.5%	11.8%	554,288	107,888	107,888	-	-	1,064,377	\$25.79
B	1,375	62,436,626	13.2%	13.6%	13.6%	13.7%	709,654	26,954	26,954	11,009	11,009	204,282	\$19.40
C	407	8,472,921	8.7%	8.8%	8.8%	8.6%	31,188	(17,027)	(17,027)	-	-	-	\$14.54
Total	2,023	107,573,146	11.8%	0.7%	12.5%	12.6%	1,295,130	117,815	117,815	11,009	11,009	1,268,659	\$21.20
DENVER MARKET GRAND TOTAL													
A	291	58,267,145	10.5%	1.2%	11.7%	12.1%	964,333	208,835	208,835	-	-	1,917,744	\$29.45
B	1,541	73,783,439	12.3%	0.6%	12.8%	12.9%	820,031	37,078	37,078	21,660	21,660	282,858	\$20.40
C	452	10,205,565	7.4%	0.1%	7.5%	7.3%	32,095	(20,609)	(20,609)	-	-	-	\$15.14
Total	2,284	142,256,149	11.2%	0.8%	12.0%	12.1%	1,816,459	225,304	225,304	21,660	21,660	2,200,602	\$23.96
QUARTERLY COMPARISON													
Q1 15	2,284	142,256,149	11.2%	0.8%	12.0%	12.0%	1,816,459	225,304	225,304	21,660	21,660	2,200,602	\$23.96
Q4 14	2,284	142,234,489	11.2%	0.8%	12.0%	12.4%	2,622,136	432,252	2,136,678	197,020	1,184,011	2,222,262	\$23.71
Q3 14	2,280	142,037,469	11.8%	0.6%	12.4%	12.5%	3,299,358	801,274	1,704,426	582,402	986,991	834,692	\$23.36
Q2 14	2,276	141,455,067	12.1%	0.4%	12.5%	12.7%	2,893,084	539,249	903,152	348,589	404,589	2,248,720	\$23.08
Q1 14	2,274	141,106,478	12.3%	0.4%	12.7%	12.9%	2,433,143	363,903	363,903	56,000	56,000	1,673,433	\$22.67

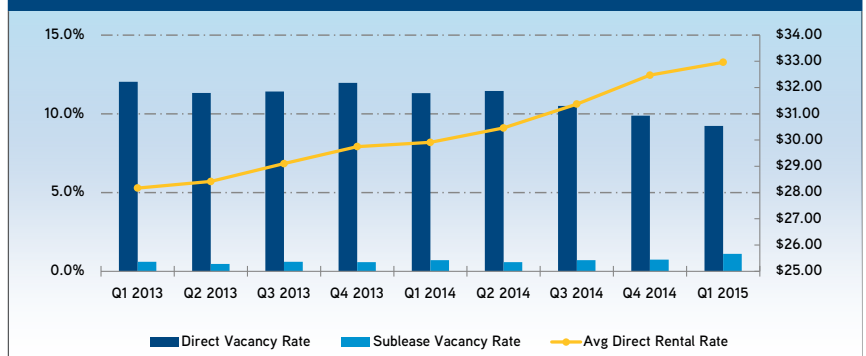
Data includes buildings with over 10,000 SF RBA not including those where medical or government users are the primary owner and occupier. The information contained in this report was provided by sources deemed to be reliable, however, no guarantee is made as to the accuracy or reliability. As new, corrected or updated information is obtained, it is incorporated into both current and historical data, which may invalidate comparison to previously issued reports.

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												
Q1 2015	637	44,781,938	5,220,635	11.7%	449,336	1.0%	5,669,971	12.7%	757,451	(58,182)	0	\$22.69
Q4 2014	637	44,781,938	5,139,605	11.5%	472,184	1.1%	5,611,789	12.5%	973,690	(195,776)	36,000	\$22.15
Q3 2014	636	44,745,938	4,964,330	11.1%	415,683	0.9%	5,380,013	12.0%	1,320,891	159,166	375,000	\$21.99
Q2 2014	634	44,370,938	4,929,820	11.1%	234,359	0.5%	5,164,179	11.6%	1,168,596	186,730	209,785	\$21.80
Q1 2014	632	44,161,153	4,972,308	11.3%	168,816	0.4%	5,141,124	11.6%	695,624	(65,019)	0	\$21.56
Q4 2013	632	44,161,153	4,891,493	11.1%	184,612	0.4%	5,076,105	11.5%	1,029,408	326,743	0	\$20.80
Q3 2013	633	44,204,817	5,139,724	11.6%	306,788	0.7%	5,446,512	12.3%	1,042,395	507,566	275,000	\$20.49
Q2 2013	632	43,929,817	5,357,710	12.2%	321,368	0.7%	5,679,078	12.9%	1,123,767	173,897	180,000	\$20.33
Q1 2013	631	43,749,817	5,505,924	12.6%	167,051	0.4%	5,672,975	13.0%	1,989,036	187,863	0	\$20.20
DENVER-SOUTHEAST OFFICE SUBMARKET BREAKOUT BY CLASS												
A	136	21,485,029	2,175,579	10.1%	321,781	1.5%	2,497,360	11.6%	395,385	(13,904)	0	\$25.65
B	422	21,523,707	2,955,864	13.7%	127,555	0.6%	3,083,419	14.3%	348,517	(46,680)	0	\$19.91
C	79	1,773,202	89,192	5.0%	0	0.0%	89,192	5.0%	13,549	2,402	0	\$14.15
Total	637	44,781,938	5,220,635	11.7%	449,336	1.0%	5,669,971	12.7%	757,451	(58,182)	0	\$22.69
DENVER-DOWNTOWN OFFICE SUBMARKET OVERVIEW												
Q1 2015	261	34,683,003	3,201,612	9.2%	383,850	1.1%	3,585,462	10.3%	521,329	107,489	10,651	\$32.96
Q4 2014	260	34,672,352	3,424,901	9.9%	257,399	0.7%	3,682,300	10.6%	928,315	311,215	123,000	\$32.47
Q3 2014	259	34,549,352	3,628,465	10.5%	242,050	0.7%	3,870,515	11.2%	914,249	465,655	207,402	\$31.37
Q2 2014	257	34,341,950	3,931,975	11.4%	196,793	0.6%	4,128,768	12.0%	690,468	93,950	112,552	\$30.46
Q1 2014	256	34,229,398	3,869,666	11.3%	240,140	0.7%	4,109,806	12.0%	468,691	92,348	0	\$29.91
Q4 2013	257	34,333,238	4,108,402	12.0%	197,592	0.6%	4,305,994	12.5%	1,206,745	(86,991)	109,078	\$29.75
Q3 2013	256	34,224,160	3,904,621	11.4%	205,304	0.6%	4,109,925	12.0%	731,521	(76,063)	0	\$29.10
Q2 2013	256	34,224,160	3,874,670	11.3%	159,192	0.5%	4,033,862	11.8%	873,047	281,745	0	\$28.42
Q1 2013	257	34,235,690	4,120,816	12.0%	206,321	0.6%	4,327,137	12.6%	982,419	5,535	0	\$28.17
DENVER-DOWNTOWN OFFICE SUBMARKET BREAKOUT BY CLASS												
A	50	21,603,546	2,360,338	10.9%	250,916	1.2%	2,611,254	12.1%	410,045	100,947	0	\$34.77
B	166	11,346,813	824,413	7.3%	132,934	1.2%	957,347	8.4%	110,377	10,124	10,651	\$28.01
C	45	1,732,644	16,861	1.0%	0	0.0%	16,861	1.0%	907	(3,582)	0	\$29.42
Total	261	34,683,003	3,201,612	9.2%	383,850	1.1%	3,585,462	10.3%	521,329	107,489	10,651	\$32.96

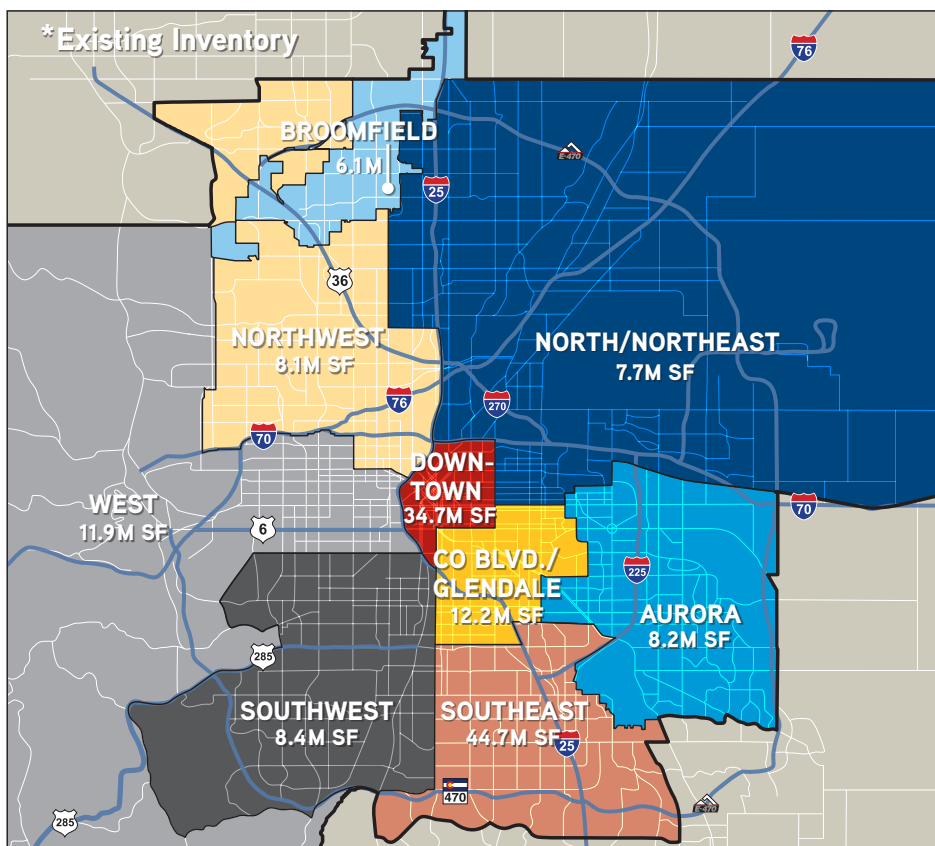
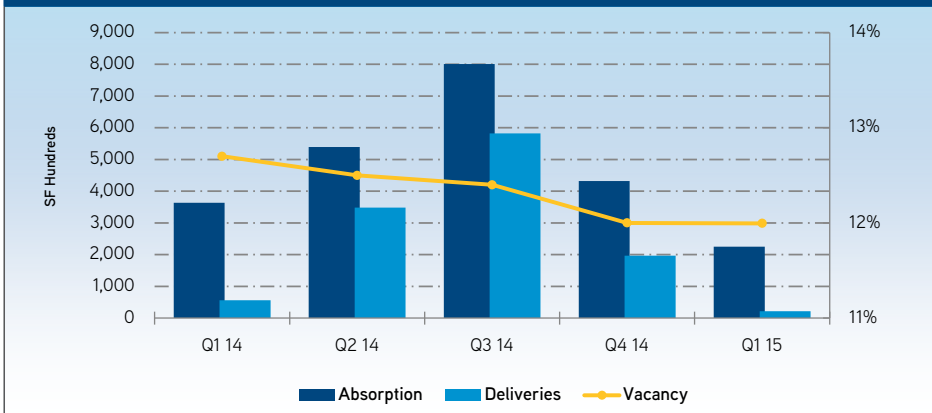
DENVER-SOUTHEAST OFFICE MARKET Q1 2013-Q1 2015



DENVER-DOWNTOWN OFFICE MARKET Q1 2013-Q1 2015



DENVER OFFICE MARKET Q1 2014–Q1 2015



485 offices in
63 countries on
6 continents

United States:	146
Canada:	44
Latin America:	25
Asia Pacific:	186
EMEA:	84

- \$2.1 billion in annual revenue
- 1.46 billion square feet under management
- Over 15,800 professionals
- 80,000 lease/sale transactions
- \$75 billion total transaction volume

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