

Office Sector Remains Healthy with Strong Absorption and Low Vacancy

MARKET OVERVIEW

After a well-performing 2015, momentum from the previous year remains in the office market. As oil and gas companies continue to tighten their belts and reduce capital expenditures, sublease space continues its steady trickle to the market. Once anticipated to have a significant impact on the office market after the drastic drop in the price of oil, the oil and gas sector has had little influence on overall vacancy, which has actually decreased by 100 basis points compared to the first quarter 2015. With low first quarter vacancy and strong positive net absorption numbers, the resilience of the increasingly diverse metro office market is evident.

MARKET INDICATORS*

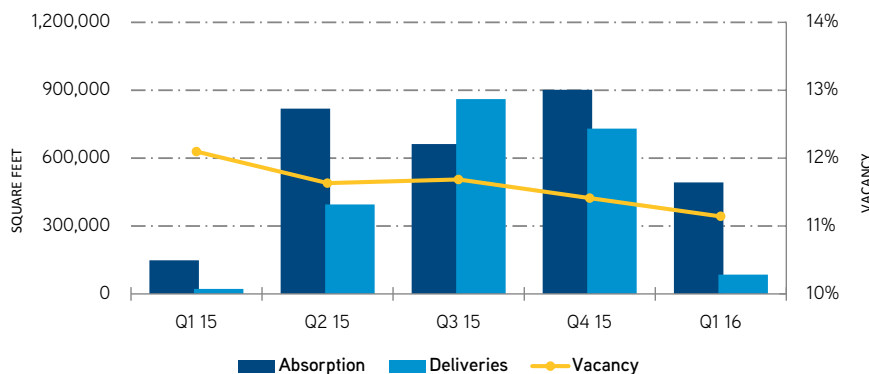
	Q1 2016	Projected Q2 2016
VACANCY	↓	↓
NET ABSORPTION	+	+
DELIVERIES	↓	↑
RENTAL RATE	↑	↑

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

SUMMARY STATISTICS

	Q1 2015	Q1 2016
VACANCY RATE	12.1%	11.1%
ABSORPTION YTD	148,685 SF	492,511 SF
DELIVERIES YTD	22,075 SF	85,000 SF
UNDER CONSTRUCTION	2,200,602 SF	3,252,707 SF
ASKING RENTS/SF	\$24.27/SF	\$25.50/SF

Denver Office Market Q1 2015-Q1 2016



Source: CoStar, Colliers Research

HIGHLIGHTED ECONOMIC TRENDS

Local Employment Growth

Metro Denver **employment** rose **2.5 percent**, or an additional **38,600 jobs** between February 2015 and 2016.

Local Unemployment Rates

As of **February 2016**, the Bureau of Labor Statistics indicated the estimated unemployment rate for the Metro Denver area at **3.1 percent** – up slightly from the previous month (3.0), and significantly below the previous year's unemployment rate of **4.5 percent** in **February 2015**. The National unemployment rate is **5.2 percent**.

Investment Sales

First quarter investment activity totaled **over \$658 million** throughout Metro Denver.

Overall metro absorption totaled a positive 492,511 square feet during the first quarter – 3.3 times more absorption compared to the first quarter 2015.

ABSORPTION

First quarter absorption tallied over 492,000 square feet of positive net absorption compared to the previous year's first quarter total of nearly 149,000 square feet of absorption. Five of the metro's ten submarket clusters reported negative absorption for the quarter, with Downtown absorption totaling just under negative (23,000) square feet. The Southeast submarket experienced positive absorption during the first quarter with nearly 550,000 square feet absorbed - the largest absorption tally for the metro can be attributed to a few large, single-tenant moves during the quarter. Overall, Class A buildings accounted for 370,800 square feet of the metro's reported positive net absorption during the quarter. Metro Class B buildings reported positive net absorption of 125,000, while Class C product experienced negative net absorption just over negative (4,000) square feet, respectively. Class A and B product accounted for 96 percent of leasing activity for the quarter, further continuing the trend that quality space is desired.

VACANCY

The overall first quarter vacancy rate fell from the previous quarter to 11.1 percent. Compared to the first quarter 2015, the overall vacancy rate has decreased one full percentage point from 12.1 percent. Total leasing activity fell to 1.7 million square feet for the quarter – down from 3.26 million square feet during the final quarter of 2015. Downtown sublease space increased slightly by just over 3 percent, but the overall vacancy rates for all submarkets held steady. While the oil and gas sector endures the down market and more energy-related tenants sublease their space, the continued vitality of the diverse Denver economy appears to pick up the slack left behind by the low price of oil and its effects on related companies.

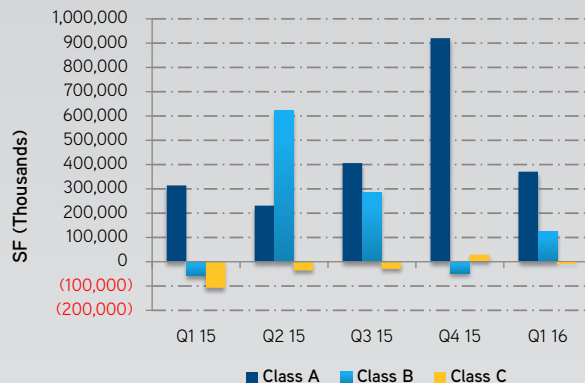
DELIVERIES & CONSTRUCTION

Deliveries during the first quarter, totaling 85,000 square feet, were down significantly from the previous quarter, but were up from first quarter 2015 when only 22,075 square feet was delivered to the market. Of the current 3.25 million square feet under construction, approximately 46 percent is attributed to Downtown construction, with Class A product making up the overwhelmingly majority of the projects. Class A construction projects in the Southeast submarket account for just over one-quarter of total metro construction. Of the office product currently under construction, over 78 percent is classified as Class A space. It is anticipated that over one million square feet of new office product will deliver during 2016, including 1401 Lawrence in the downtown market and One Bellevue Station in the Denver Tech Center.

RENTAL RATES

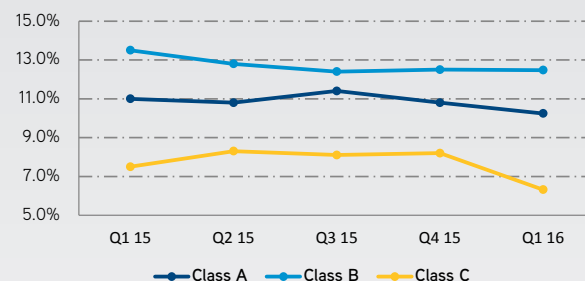
As new office product is delivered to the market, there is potential for higher asking rates as the market pushes rental rate boundaries. With overall direct asking rental rates increasing to \$25.50 per square foot (full service) in the first quarter, a year-over-year increase of 5.1 percent, it is likely the market will continue to see rental rates increase throughout the year. Asking rental rates for Class A space throughout Metro Denver averaged \$30.28 per square foot – a 2.6 percent increase year-over-year. Class B rental rates appreciated 6.4 percent year-over-year indicating an average asking rate of \$21.67 per square foot during the first quarter.

Absorption



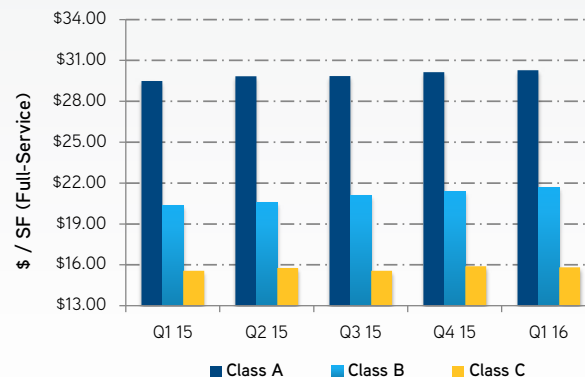
Source: CoStar, Colliers Research

Vacancy



Source: CoStar, Colliers Research

Rental Rates



Source: CoStar, Colliers Research

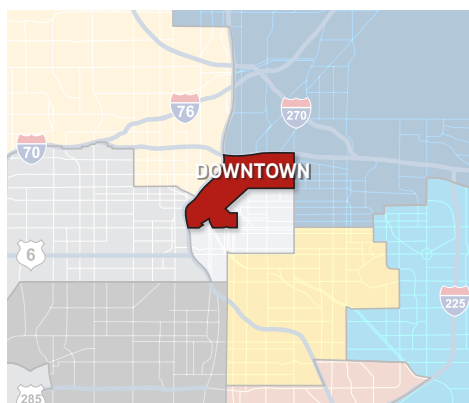
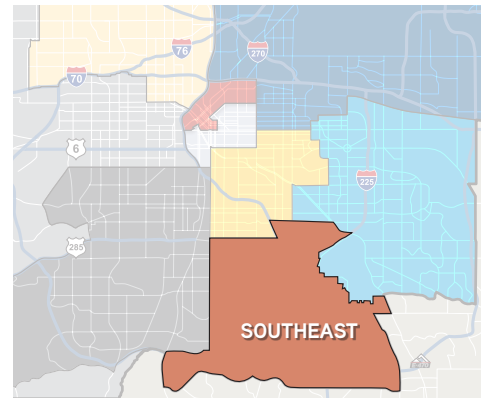
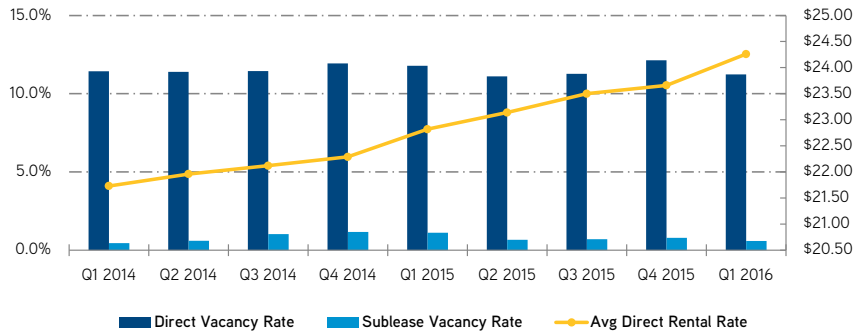
Submarket Statistics

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	53	22,268,868	11.0%	1.8%	12.8%	13.0%	168,762	26,773	26,773	-	-	1,328,668	\$35.95
B	134	11,310,292	8.1%	0.5%	8.6%	8.2%	162,551	(40,038)	(40,038)	-	-	178,478	\$28.94
C	23	1,421,179	1.0%	0.0%	1.0%	0.3%	-	(9,503)	(9,503)	-	-	-	\$27.00
Total	210	35,000,339	9.6%	1.3%	11.0%	10.9%	331,313	(22,768)	(22,768)	-	-	1,507,146	\$34.11
MIDTOWN													
SOUTH MIDTOWN/CAPITOL HILL													
A	6	1,111,860	0.5%	0.0%	0.5%	0.0%	-	(6,064)	(6,064)	-	-	-	\$24.39
B	48	3,120,624	4.6%	0.0%	4.6%	3.6%	50,187	(29,871)	(29,871)	-	-	300,000	\$22.58
C	39	1,608,036	2.7%	0.0%	2.7%	3.0%	4,769	3,774	3,774	-	-	-	\$19.39
Total	93	5,840,520	3.3%	0.0%	3.3%	2.8%	54,956	(32,161)	(32,161)	-	-	300,000	\$22.14
SUBURBAN													
AURORA													
A	13	1,921,923	5.4%	0.0%	5.4%	5.3%	5,745	(1,178)	(1,178)	-	-	-	\$24.74
B	78	5,098,521	12.5%	0.2%	12.6%	12.3%	30,210	(19,255)	(19,255)	-	-	-	\$18.54
C	16	556,719	8.9%	0.0%	8.9%	9.4%	-	2,802	2,802	-	-	-	\$11.56
Total	107	7,577,163	10.4%	0.1%	10.5%	10.3%	35,955	(17,631)	(17,631)	-	-	-	\$18.61
BROOMFIELD													
A	19	3,068,913	9.4%	0.9%	10.3%	8.7%	84,098	(50,057)	(50,057)	-	-	98,980	\$29.08
B	30	2,744,992	8.4%	0.9%	9.3%	8.6%	11,758	(20,719)	(20,719)	-	-	-	\$23.42
Total	49	5,813,905	8.9%	0.9%	9.8%	8.6%	95,856	(70,776)	(70,776)	-	-	98,980	\$27.23
COLORADO BOULEVARD/GLENDALE													
A	24	3,857,821	10.4%	0.0%	10.4%	9.6%	34,119	(30,356)	(30,356)	-	-	232,444	\$29.57
B	92	6,649,178	11.3%	0.0%	11.4%	12.0%	76,370	40,753	40,753	-	-	28,000	\$21.68
C	22	711,601	3.3%	0.0%	3.3%	3.4%	1,232	774	774	-	-	-	\$15.63
Total	138	11,218,600	10.5%	0.0%	10.5%	10.6%	111,721	11,171	11,171	-	-	260,444	\$24.93
NORTH/NORTHEAST													
A	10	1,221,355	3.9%	0.4%	4.3%	4.7%	4,598	4,096	4,096	-	-	-	\$23.62
B	72	4,923,957	7.8%	0.0%	7.8%	7.9%	33,516	54,170	54,170	53,000	53,000	30,000	\$19.08
C	13	553,232	16.0%	0.0%	16.0%	16.7%	9,083	3,872	3,872	-	-	-	\$18.96
Total	95	6,698,544	7.8%	0.1%	7.8%	8.0%	47,197	62,138	62,138	53,000	53,000	30,000	\$19.29
NORTHWEST													
A	20	2,040,366	12.7%	0.7%	13.4%	12.9%	163,075	(9,990)	(9,990)	-	-	-	\$24.72
B	85	3,906,373	12.8%	0.7%	13.5%	13.3%	50,866	(9,239)	(9,239)	-	-	-	\$20.00
C	20	598,264	13.9%	0.3%	14.1%	14.4%	6,699	1,687	1,687	-	-	-	\$17.25
Total	125	6,545,003	12.8%	0.7%	13.5%	13.3%	220,640	(17,542)	(17,542)	-	-	-	\$21.62
SOUTHEAST													
A	139	22,205,599	8.6%	0.6%	9.1%	11.2%	296,822	460,506	460,506	-	-	851,879	\$26.60
B	301	19,372,981	14.6%	0.6%	15.2%	15.5%	250,831	75,370	75,370	-	-	-	\$21.86
C	33	1,140,446	6.2%	0.0%	6.2%	5.7%	1,546	(6,093)	(6,093)	-	-	-	\$14.14
Total	473	42,719,026	11.2%	0.6%	11.8%	13.0%	549,199	529,783	529,783	-	-	851,879	\$24.26
SOUTHWEST													
A	5	1,215,568	4.1%	1.5%	5.6%	5.6%	-	-	-	-	-	-	\$26.44
B	101	5,106,082	17.1%	0.2%	17.2%	17.7%	46,989	25,442	25,442	-	-	25,000	\$18.02
C	21	724,985	10.8%	0.0%	10.8%	10.6%	32,250	(1,548)	(1,548)	-	-	-	\$12.49
Total	127	7,046,635	14.2%	0.4%	14.6%	14.9%	79,239	23,894	23,894	-	-	25,000	\$18.09
WEST													
A	17	1,918,133	6.2%	0.0%	6.2%	5.0%	63,870	(22,930)	(22,930)	-	-	28,258	\$26.77
B	129	7,644,723	15.8%	0.2%	16.0%	16.3%	139,922	49,105	49,105	32,000	32,000	151,000	\$20.38
C	24	680,732	7.6%	0.1%	7.7%	7.7%	4,080	228	228	-	-	-	\$12.71
Total	170	10,243,588	13.4%	0.2%	13.6%	13.6%	207,872	26,403	26,403	32,000	32,000	179,258	\$20.82
SUBURBAN TOTAL													
A	247	37,449,678	8.5%	0.5%	9.0%	9.9%	652,327	350,091	350,091	-	-	1,211,561	\$27.05
B	888	55,446,807	13.3%	0.4%	13.7%	13.9%	640,462	195,627	195,627	85,000	85,000	234,000	\$20.70
C	149	4,965,979	9.0%	0.0%	9.0%	9.0%	54,890	1,722	1,722	-	-	-	\$15.42
Total	1,284	97,862,464	11.3%	0.4%	11.7%	12.1%	1,347,679	547,440	547,440	85,000	85,000	1,445,561	\$22.94
DENVER MARKET GRAND TOTAL													
A	306	60,830,406	9.3%	1.0%	10.2%	10.9%	821,089	370,800	370,800	-	-	2,540,229	\$30.28
B	1,070	69,877,723	12.1%	0.4%	12.5%	12.5%	853,200	125,718	125,718	85,000	85,000	712,478	\$21.67
C	211	7,995,194	6.3%	0.0%	6.3%	6.3%	59,659	(4,007)	(4,007)	-	-	-	\$15.82
Total	1,587	138,703,323	10.5%	0.6%	11.1%	11.4%	1,733,948	492,511	492,511	85,000	85,000	3,252,707	\$25.50
QUARTERLY COMPARISON													
Q1 16	1,587	138,703,323	10.5%	0.6%	11.1%	11.4%	1,733,948	492,511	492,511	85,000	85,000	3,252,707	\$25.50
Q4 15	1,585	138,618,323	10.7%	0.7%	11.4%	11.7%	3,267,010	901,693	2,530,838	730,049	2,007,578	2,776,666	\$25.22
Q3 15	1,584	137,888,274	11.0%	0.6%	11.7%	11.6%	3,104,692	662,371	1,629,145	860,070	1,277,529	2,404,125	\$24.87
Q2 15	1,578	137,028,204	11.0%	0.6%	11.6%	12.1%	3,837,115	818,089	966,774	395,384	417,459	3,317,157	\$24.60
Q1 15	1,578	136,632,820	11.3%	0.8%	12.1%	12.2%	2,833,960	148,685	148,685	22,075	22,075	2,200,602	\$24.27

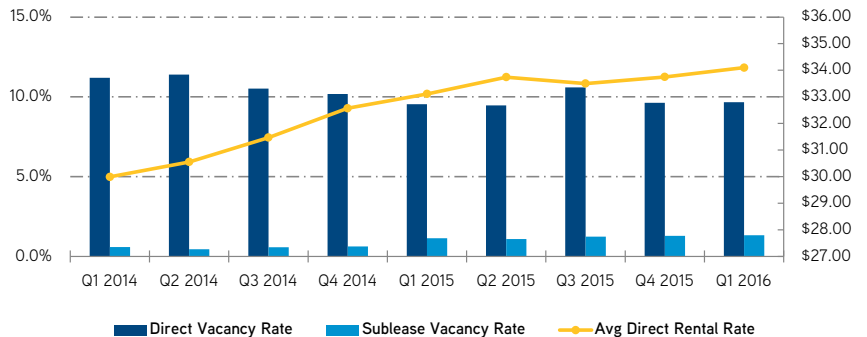
Southeast & Downtown Statistics

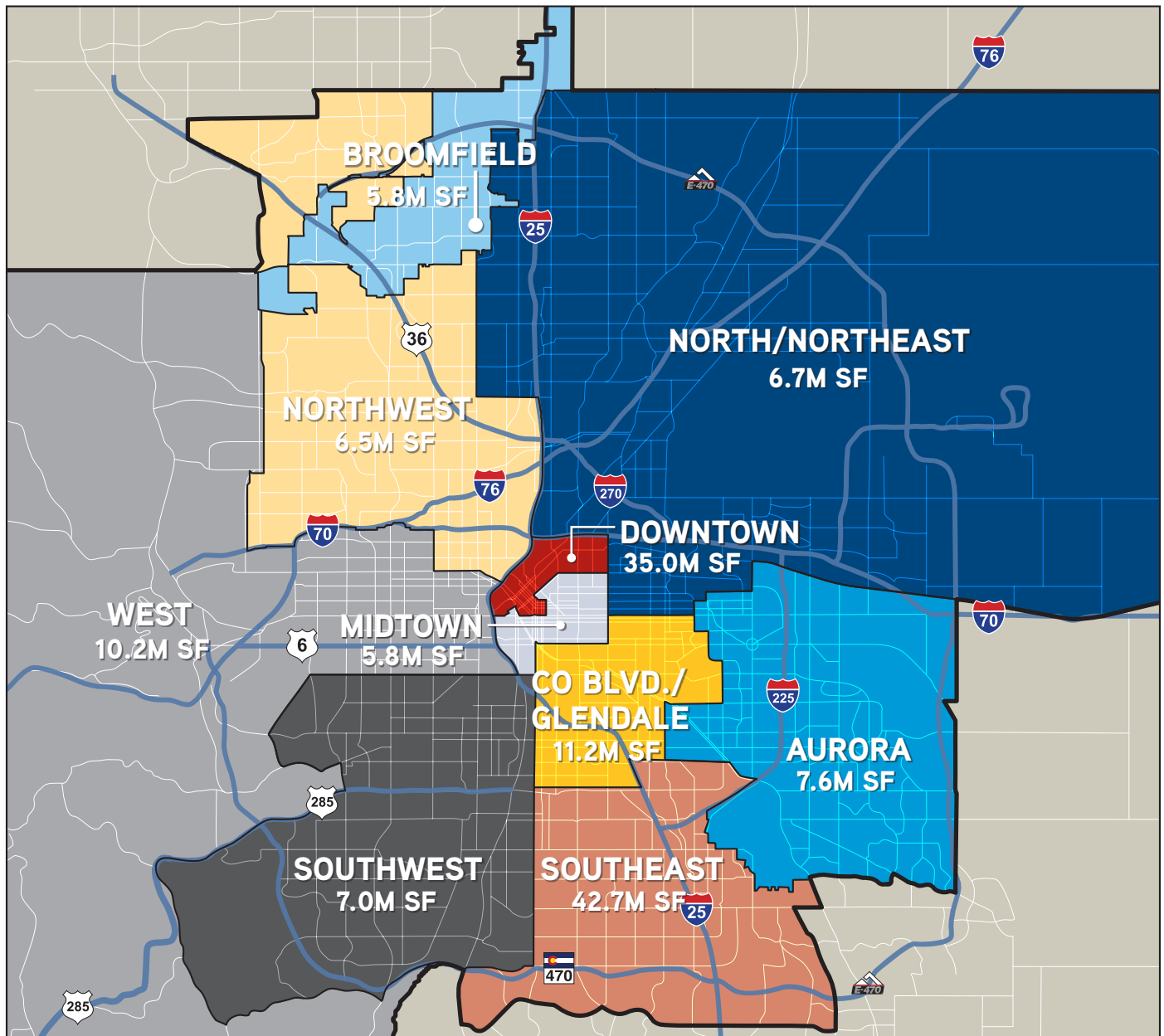
Period/Class	Buildings	Total Inventory SF	Direct Vacant SF	Direct Vacancy Rate	Sublease Vacant SF	Sublease Vacancy Rate	Total Vacant SF	Vacancy Rate Current	Leasing Activity SF	Net Absorption Current Qtr. SF	Deliveries Current Qtr. SF	Average Rental Rate (FS)
EXISTING PROPERTIES			VACANCY				ACTIVITY		ABSORP.	CONSTR.	RENTS	
DENVER-SOUTHEAST OFFICE MARKET OVERVIEW												
Q1 2016	473	42,719,026	4,795,660	11.2%	240,262	0.6%	5,035,922	11.8%	549,199	529,783	0	\$24.26
Q4 2015	473	42,719,026	5,186,031	12.1%	336,611	0.8%	5,522,642	12.9%	1,231,555	104,736	582,787	\$23.66
Q3 2015	470	42,135,769	4,750,546	11.3%	293,575	0.7%	5,044,121	12.0%	1,003,816	(83,062)	0	\$23.50
Q2 2015	470	42,135,769	4,681,601	11.1%	279,458	0.7%	4,961,059	11.8%	1,561,649	512,294	45,000	\$23.14
Q1 2015	469	42,090,769	4,958,243	11.8%	470,110	1.1%	5,428,353	12.9%	1,116,198	82,910	22,075	\$22.82
Q4 2014	469	42,090,769	5,020,765	11.9%	490,498	1.2%	5,511,263	13.1%	1,237,318	(225,960)	36,000	\$22.29
Q3 2014	468	42,054,769	4,815,306	11.5%	433,997	1.0%	5,249,303	12.5%	1,283,003	130,450	375,000	\$22.12
Q2 2014	466	41,679,484	4,752,080	11.4%	252,673	0.6%	5,004,753	12.0%	1,192,898	(29,470)	22,285	\$21.96
Q1 2014	465	41,657,484	4,763,408	11.4%	189,590	0.5%	4,952,998	11.9%	674,606	(41,789)	0	\$21.73
DENVER-SOUTHEAST OFFICE SUBMARKET BREAKOUT BY CLASS												
A	139	22,205,599	1,904,711	8.6%	125,510	0.6%	2,030,221	9.1%	296,822	460,506	0	\$26.60
B	301	19,372,981	2,820,306	14.6%	114,752	0.6%	2,935,058	15.2%	250,831	75,370	0	\$21.86
C	33	1,140,446	70,643	6.2%	0	0.0%	70,643	6.2%	1,546	(6,093)	0	\$14.14
Total	473	42,719,026	4,795,660	11.2%	240,262	0.6%	5,035,922	11.8%	549,199	529,783	0	\$24.26
DENVER-DOWNTOWN OFFICE SUBMARKET OVERVIEW												
Q1 2016	210	35,000,339	3,376,786	9.6%	466,447	1.3%	3,843,233	11.0%	331,313	(22,768)	0	\$34.11
Q4 2015	210	35,000,339	3,368,516	9.6%	451,313	1.3%	3,819,829	10.9%	1,048,977	336,098	46,000	\$33.75
Q3 2015	210	34,984,739	3,707,687	10.6%	432,640	1.2%	4,140,327	11.8%	1,145,476	106,686	620,980	\$33.50
Q2 2015	207	34,363,759	3,252,292	9.5%	373,741	1.1%	3,626,033	10.6%	393,425	115,593	81,384	\$33.74
Q1 2015	206	34,282,375	3,268,388	9.5%	391,854	1.1%	3,660,242	10.7%	846,822	43,758	0	\$33.11
Q4 2014	206	34,282,375	3,488,161	10.2%	215,854	0.6%	3,704,015	10.8%	996,570	205,105	123,000	\$32.57
Q3 2014	205	34,159,375	3,591,160	10.5%	194,945	0.6%	3,786,105	11.1%	894,286	421,626	185,000	\$31.47
Q2 2014	203	33,974,375	3,870,498	11.4%	152,233	0.4%	4,022,731	11.8%	678,847	79,909	112,552	\$30.55
Q1 2014	202	33,861,823	3,791,508	11.2%	198,580	0.6%	3,990,088	11.8%	454,341	138,570	0	\$29.99
DENVER-DOWNTOWN OFFICE SUBMARKET BREAKOUT BY CLASS												
A	53	22,268,868	2,450,488	11.0%	407,149	1.8%	2,857,637	12.8%	168,762	26,773	0	\$35.95
B	134	11,310,292	912,087	8.1%	59,298	0.5%	971,385	8.6%	162,551	(40,038)	0	\$28.94
C	23	1,421,179	14,211	1.0%	0	0.0%	14,211	1.0%	0	(9,503)	0	\$27.00
Total	210	35,000,339	3,376,786	9.6%	466,447	1.3%	3,843,233	11.0%	331,313	(22,768)	0	\$34.11

Denver | Southeast Office Market Q1 2014-Q1 2016



Denver | Downtown Office Market Q1 2014-Q1 2016





SIGNIFICANT RECENT TRANSACTIONS

SALES ACTIVITY

PROPERTY	SUBMARKET	SALE PRICE	SIZE SF	BUYER	SELLER
Panorama Corporate Center	Southeast Denver	\$189,120,000	780,649	EverWest Real Estate Partners	Miller Global Properties
Central Park Tower	Northwest Denver	\$83,500,000	297,672	GEM Realty Capital, Inc.	Franklin Street Properties Corporation

LEASING ACTIVITY

PROPERTY	SUBMARKET	BLDG. CLASS	LEASED SF	COMPANY
1617 Cole Blvd.	West Denver	B	76,000	Liberty Mutual
9110 E. Nichols Ave.	Southeast Denver	B	50,000	National Cattleman's Foundation, Inc. (renewal)

554 offices in 66 countries on 6 continents

United States: **153**

Canada: **34**

Latin America: **24**

Asia Pacific: **231**

EMEA: **112**

\$2.5

billion in
annual revenue

2.0

billion square feet
under management

16,000

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 16,300 professionals operating from 502 offices in 67 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

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

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

Matthew Ball
Tenant Advisory Serv.
+1 303 309 3785
matt.ball@colliers.com

Abby Vollmer
Associate
+1 303 283 4579
abby.vollmer@colliers.com

Jamie Faus
Associate
+1 303 283 4579
jamie.faus@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

David Morrison, CCIM
Senior V.P.
+1 303 565 3784
david.morrison@colliers.com

Colliers International | Downtown Denver
1200 17th Street, Suite 1225
Denver, CO | USA

REGIONAL AUTHOR:

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

