

Absorption of New Space Helps Stabilize Vacancy

MARKET OVERVIEW

Denver's office market experienced strong positive absorption during the third quarter with robust performances from the Downtown and Southeast submarkets, allowing vacancy rates to remain unchanged from the previous quarter. Leasing activity has slowed during 2017; however, demand for new office product is apparent as nearly half of the 4.6 million square feet under construction is already spoken for at the end of the third quarter. Rental rates continue to increase, albeit at a more moderate pace compared to previous years. Tenants looking for new space still have their sights set on Denver's primary submarkets such as Downtown and Southeast, as projects outside of these areas, like Colorado Center III, still sit vacant.

MARKET INDICATORS*

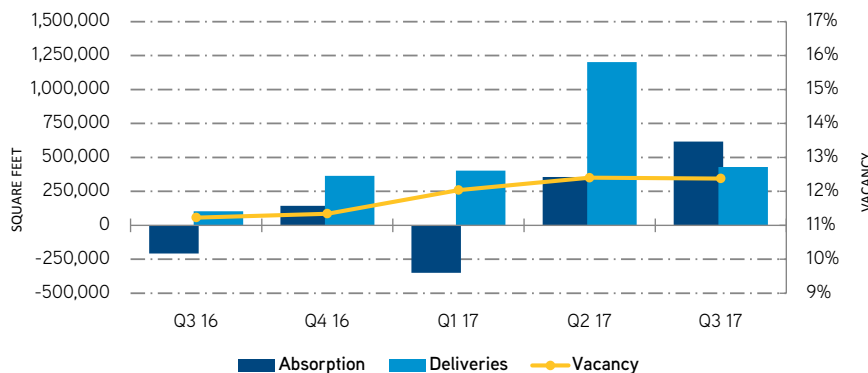
	Q3 2017	Projected Q4 2017
VACANCY	↑	↔
NET ABSORPTION	+	+
DELIVERIES	↑	↑
RENTAL RATE	↑	↔

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

SUMMARY STATISTICS

	Q3 2016	Q3 2017
VACANCY RATE	11.2%	12.4%
ABSORPTION YTD	221,706	621,822
DELIVERIES YTD	509,314	2,032,178
UNDER CONSTRUCTION	3,164,395	4,639,922
ASKING RENTS/SF	\$25.87	\$26.680

Denver Office Market Q3 2016-Q3 2017



Source: CoStar, Colliers Research

HIGHLIGHTED ECONOMIC TRENDS

Local Unemployment Rates

As of **August 2017**, the Bureau of Labor Statistics indicated the estimated unemployment rate for the Metro Denver area at **2.2 percent** – significantly lower than the previous year's unemployment rate of **3.1 percent** in **August 2016**. The National unemployment rate is **4.4 percent**.

Local Employment Growth

Metro Denver total employment increased **2.1 percent**, or an additional **33,900 jobs** between **August 2016** and **August 2017**.

Investment Sales

Third quarter investment activity totaled nearly **\$188 million** throughout Metro Denver.

Metro absorption totaled more than 616,000 square feet during the third quarter.

ABSORPTION

Absorption totaled 616,274 square feet during the third quarter as eight of ten submarkets reported positive absorption. The Downtown and Southeast submarkets tallied strong performances with 266,000 and 225,000 square feet of positive absorption, respectively. Absorption in the Southeast submarket was boosted by the delivery of INOVA I with the occupancy of Comcast, and the Arrow Electronics building. Class A space accounted for more than half of quarterly leasing, as this product type is still highly sought after by tenants. As new, Class A space comes online, it will likely continue to drive leasing activity in the metro.

VACANCY

Metro vacancy remained unchanged compared to the previous quarter as the third quarter recorded a 12.4 percent rate. Similar to levels seen in early 2014, the overall vacancy rate appears to be stabilizing just above the 12 percent mark. Minor variation in vacancy is anticipated as more than 4.6 million square feet of office product remains in the construction pipeline. However, new projects continue to lease well as the availability rate for projects delivered since 2016 currently sits near 13 percent, respectively.

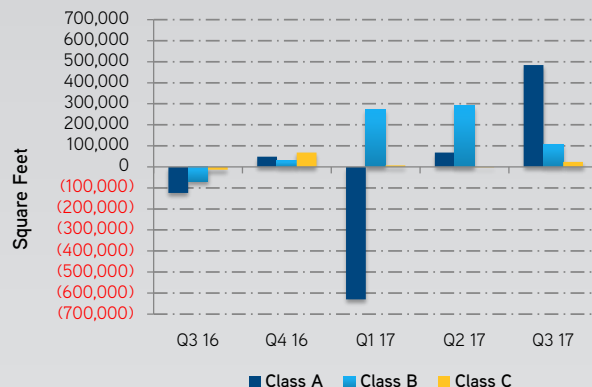
DELIVERIES & CONSTRUCTION

Third quarter metro deliveries slowed compared to the previous quarter totaling just under 430,000 square feet, as INOVA I and the Arrow Electronics buildings wrapped construction during this quarter. Construction activity remains strong with more than 4.6 million square feet currently under construction. Demand for new Class A space is driving construction as all but one project currently underway is considered Class A. The final quarter of 2017 is anticipated to see the delivery of just over 540,000 square feet of new office space.

RENTAL RATES

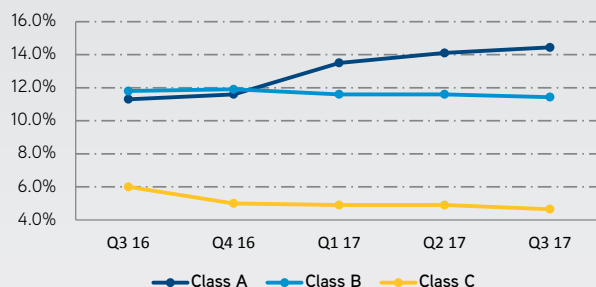
The overall third quarter asking rental rate for office space in Metro Denver was \$26.80 per square foot – a 3.6 percent increase year-over-year. Although seven of ten submarkets experienced slight increases in asking rates, rate growth will likely moderate as the market stabilizes, and new construction becomes the lone factor attributed to its modest growth. Asking rates in the Downtown submarket continue to inch closer to the \$34 per square foot mark – a mark once realized early in 2016.

Absorption



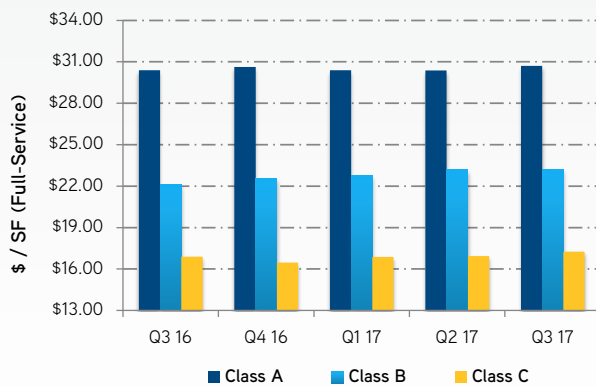
Source: CoStar, Colliers Research

Vacancy



Source: CoStar, Colliers Research

Rental Rates



Source: CoStar, Colliers Research

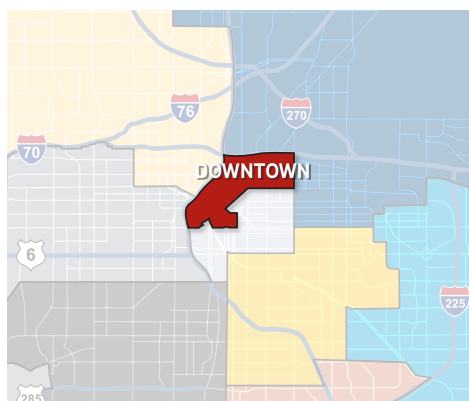
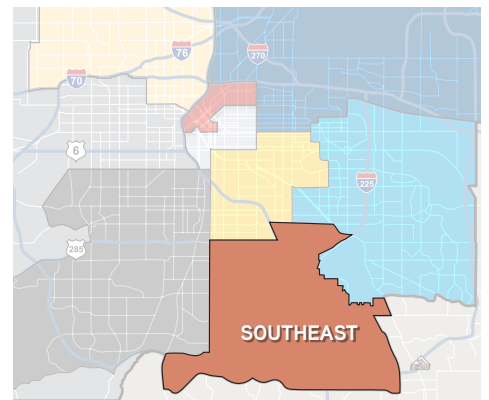
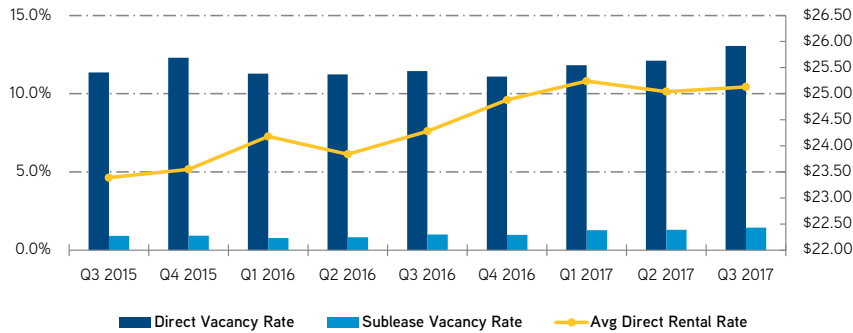
Submarket Statistics

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	58	23,053,262	13.2%	2.4%	15.5%	16.6%	231,364	251,271	258,935	-	347,653	2,829,751	\$35.39
B	136	11,615,450	10.5%	1.2%	11.7%	11.7%	141,426	604	(118,252)	-	53,478	-	\$29.95
C	21	1,316,177	2.9%	0.0%	2.9%	4.0%	24,975	14,237	13,055	-	-	-	\$22.64
Total	215	35,984,889	11.9%	1.9%	13.8%	14.6%	397,765	266,112	153,738	-	401,131	2,829,751	\$33.70
MIDTOWN													
SOUTH MIDTOWN/CAPITOL HILL													
A	7	1,110,758	7.2%	0.0%	7.2%	5.2%	-	(21,722)	(73,656)	-	-	-	\$32.28
B	50	3,451,636	4.8%	0.0%	4.8%	4.7%	12,409	(2,975)	223,953	-	300,000	-	\$24.88
C	39	1,620,195	3.7%	0.0%	3.7%	4.3%	6,936	9,991	6,829	-	-	-	\$22.11
Total	96	6,182,589	4.9%	0.0%	4.9%	4.7%	19,345	(14,706)	157,126	-	300,000	-	\$25.54
SUBURBAN													
AURORA													
A	14	2,051,785	9.8%	0.0%	9.8%	10.2%	0	8,421	(100,787)	-	-	-	\$24.25
B	77	5,229,758	9.2%	0.1%	9.3%	8.8%	37,105	(24,105)	(17,762)	-	-	-	\$17.54
C	17	595,381	5.4%	0.0%	5.4%	9.7%	6,191	26,107	27,300	-	-	-	\$12.29
Total	108	7,876,924	9.1%	0.0%	9.1%	9.3%	43,296	10,423	(91,249)	-	-	-	\$19.05
BROOMFIELD													
A	20	3,171,782	7.6%	0.9%	8.5%	8.2%	13,049	(8,930)	66,121	-	-	255,588	\$28.49
B	31	2,808,151	10.1%	0.0%	10.1%	10.0%	2,218	(3,148)	31,099	-	-	-	\$24.59
Total	51	5,979,933	8.8%	0.5%	9.2%	9.0%	15,267	(12,078)	97,220	-	-	255,588	\$26.38
COLORADO BOULEVARD/GLENDALE													
A	25	4,092,063	16.8%	0.5%	17.3%	18.2%	56,973	34,158	23,868	-	229,670	154,768	\$32.33
B	93	6,612,069	8.3%	0.5%	8.8%	8.9%	98,829	2,600	40,644	-	-	-	\$24.19
C	26	1,025,115	10.2%	0.0%	10.2%	10.1%	63,335	(1,322)	11,086	-	-	-	\$16.45
Total	144	11,729,247	11.4%	0.5%	11.9%	12.2%	219,137	35,436	75,598	-	229,670	154,768	\$27.62
NORTH/NORTHEAST													
A	11	1,263,489	2.9%	0.4%	3.3%	3.8%	4,205	5,660	19,708	-	-	43,586	\$25.74
B	73	4,938,098	9.2%	0.0%	9.3%	9.7%	41,773	20,859	(44,456)	-	55,000	-	\$21.83
C	16	921,396	1.8%	0.0%	1.8%	1.8%	4,233	-	(4,165)	-	-	-	\$16.20
Total	100	7,122,983	7.2%	0.1%	7.3%	7.6%	50,211	26,519	(28,913)	-	55,000	43,586	\$22.83
NORTHWEST													
A	23	2,313,305	12.1%	4.1%	16.1%	16.8%	21,954	15,340	(173,819)	-	-	100,000	\$26.73
B	86	3,876,069	7.5%	0.5%	7.9%	8.4%	103,435	18,736	86,470	-	-	115,300	\$22.96
C	16	481,568	0.6%	0.1%	0.7%	1.0%	2,801	1,286	13,877	-	-	-	\$20.47
Total	125	6,670,942	8.6%	1.7%	10.3%	10.8%	128,190	35,362	(73,472)	-	-	215,300	\$24.68
SOUTHEAST													
A	150	23,872,975	13.9%	2.0%	15.9%	15.1%	772,226	188,740	(80,058)	428,675	1,046,377	900,929	\$27.46
B	301	19,055,680	12.4%	0.8%	13.2%	13.6%	321,883	62,132	309,952	-	-	-	\$22.51
C	34	1,176,145	6.6%	0.1%	6.6%	4.4%	7,171	(25,391)	(26,882)	-	-	-	\$19.05
Total	485	44,104,800	13.1%	1.4%	14.5%	14.2%	1,101,280	225,481	203,012	428,675	1,046,377	900,929	\$25.13
SOUTHWEST													
A	5	1,241,467	4.8%	0.0%	4.8%	5.0%	2,506	2,506	8,257	-	-	-	\$26.36
B	101	5,022,065	15.4%	0.6%	15.9%	16.0%	43,379	5,678	70,707	-	-	-	\$18.19
C	20	688,576	4.2%	0.0%	4.2%	5.1%	2,475	5,755	1,843	-	-	-	\$13.40
Total	126	6,952,108	12.4%	0.4%	12.8%	13.0%	48,360	13,939	80,807	-	-	-	\$18.73
WEST													
A	19	2,448,728	7.5%	1.7%	9.3%	9.6%	10,771	9,058	(26,593)	-	-	240,000	\$27.85
B	133	8,412,235	13.6%	0.1%	13.7%	14.0%	58,577	27,682	88,841	-	-	-	\$21.69
C	26	725,954	4.9%	0.0%	5.0%	4.0%	552	(6,954)	(14,293)	-	-	-	\$13.63
Total	178	11,586,917	11.8%	0.4%	12.2%	12.5%	69,900	29,786	47,955	-	-	240,000	\$22.48
SUBURBAN TOTAL													
A	267	40,455,594	12.4%	1.6%	14.0%	13.7%	881,684	254,953	(263,303)	428,675	1,276,047	1,694,871	\$27.96
B	895	55,954,125	11.3%	0.4%	11.8%	12.0%	707,199	110,434	565,495	-	55,000	115,300	\$21.87
C	155	5,614,135	5.3%	0.0%	5.3%	5.3%	86,758	(519)	8,766	-	-	-	\$15.65
Total	1,317	102,023,854	11.4%	0.9%	12.3%	12.3%	1,675,641	364,868	310,958	428,675	1,331,047	1,810,171	\$24.34
DENVER MARKET GRAND TOTAL													
A	332	64,619,614	12.6%	1.9%	14.4%	14.6%	1,113,048	484,502	(78,024)	428,675	1,623,700	4,524,622	\$30.71
B	1,081	71,021,211	10.9%	0.5%	11.4%	11.6%	861,034	108,063	671,196	-	408,478	115,300	\$23.20
C	215	8,550,507	4.6%	0.0%	4.6%	4.9%	118,669	23,709	28,650	-	-	-	\$17.26
Total	1,628	144,191,332	11.3%	1.1%	12.4%	12.4%	2,092,751	616,274	621,822	428,675	2,032,178	4,639,922	\$26.80
QUARTERLY COMPARISON													
Q3 17	1,628	144,191,332	11.3%	1.1%	12.4%	12.4%	2,092,751	616,274	621,822	428,675	2,032,178	4,639,922	\$26.80
Q2 17	1,627	143,785,809	11.3%	1.1%	12.4%	12.0%	2,440,175	355,565	5,548	1,200,850	1,603,503	4,168,460	\$26.64
Q1 17	1,621	142,828,271	10.9%	1.1%	12.0%	11.3%	2,921,642	(350,017)	(350,017)	402,653	402,653	5,385,002	\$26.35
Q4 16	1,616	142,101,916	10.4%	0.9%	11.3%	11.2%	3,045,552	143,311	822,990	364,615	873,929	5,131,620	\$26.23
Q3 16	1,614	141,757,969	10.4%	0.8%	11.2%	11.1%	3,378,949	(206,934)	221,706	102,869	509,314	4,068,593	\$25.87

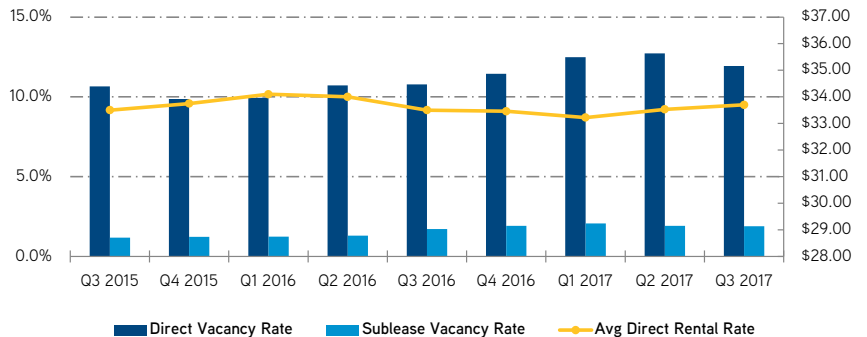
Southeast & Downtown Statistics

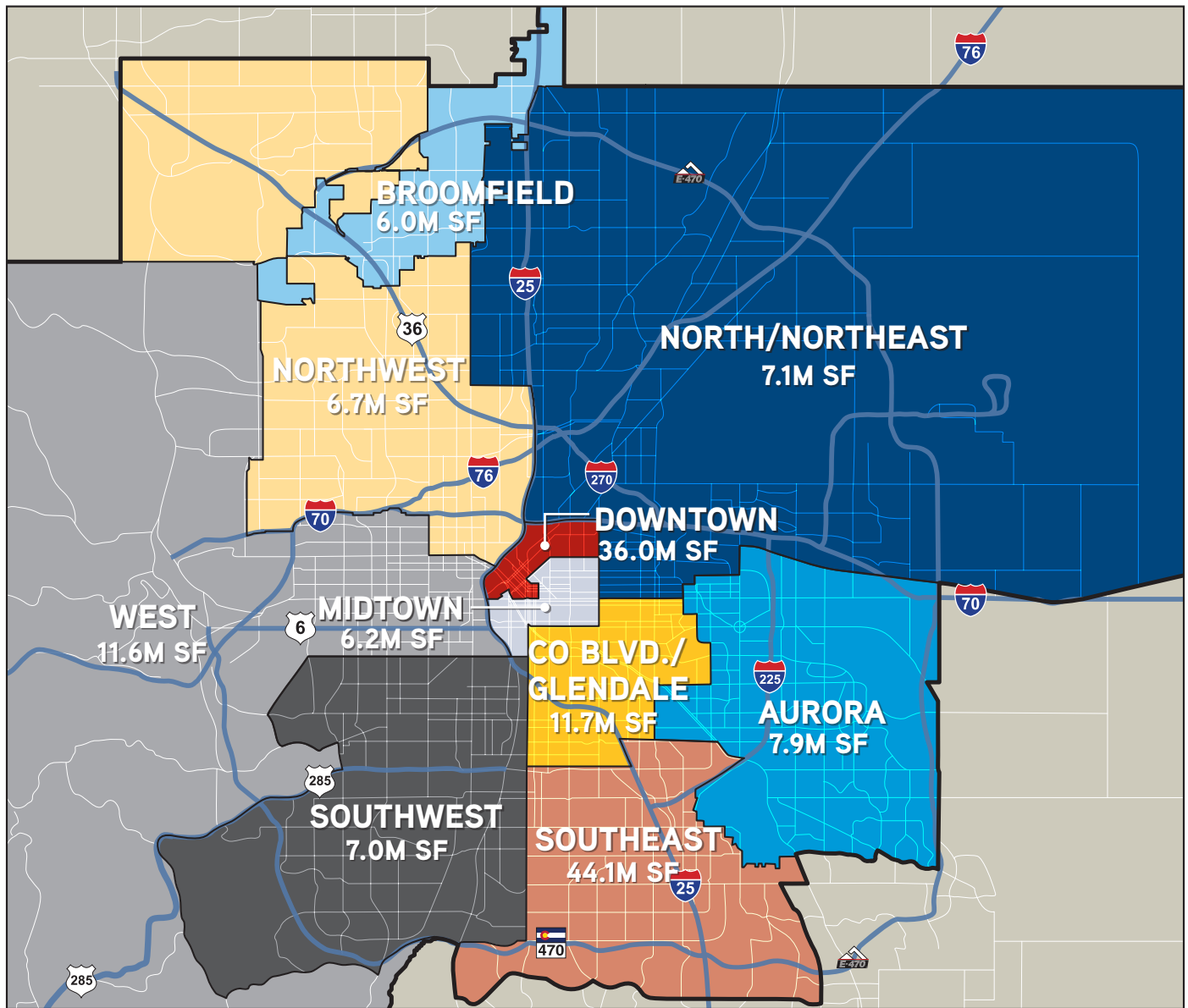
Period/Class	Buildings	Total Inventory SF	Direct Vacant SF	Direct Vacancy Rate	Sublease Vacant SF	Sublease Vacancy Rate	Total Vacant SF	Vacancy Rate Current	Leasing Activity SF	Net Absorption Current Qtr. SF	Deliveries Current Qtr. SF	Average Rental Rate (F5)
EXISTING PROPERTIES			VACANCY				ACTIVITY		ABSORP.	CONSTR.	RENTS	
DENVER-SOUTHEAST OFFICE MARKET OVERVIEW												
Q3 2017	485	44,104,800	5,756,757	13.1%	633,236	1.4%	6,389,993	14.5%	1,101,280	225,481	428,675	\$25.13
Q2 2017	484	43,893,125	5,315,303	12.1%	571,794	1.3%	5,887,097	13.4%	824,197	159,437	617,702	\$25.04
Q1 2017	480	43,291,735	5,117,154	11.8%	554,990	1.3%	5,672,144	13.1%	1,065,374	(181,906)	0	\$25.24
Q4 2016	479	42,992,033	4,768,566	11.1%	421,970	1.0%	5,190,536	12.1%	716,774	161,161	0	\$24.88
Q3 2016	479	42,992,033	4,921,958	11.4%	429,739	1.0%	5,351,697	12.4%	1,575,738	(169,339)	0	\$24.28
Q2 2016	479	42,992,033	4,829,458	11.2%	352,900	0.8%	5,182,358	12.1%	1,147,174	24,417	0	\$23.84
Q1 2016	478	42,971,751	4,850,508	11.3%	335,985	0.8%	5,186,493	12.1%	945,503	495,968	0	\$24.18
Q4 2015	478	42,971,751	5,283,440	12.3%	399,021	0.9%	5,682,461	13.2%	1,268,466	100,936	582,792	\$23.55
Q3 2015	475	42,388,489	4,813,683	11.4%	386,452	0.9%	5,200,135	12.3%	1,005,433	(210,767)	0	\$23.39
DENVER-SOUTHEAST OFFICE SUBMARKET BREAKOUT BY CLASS												
A	150	23,872,975	3,313,165	13.9%	474,827	2.0%	3,787,992	15.9%	772,226	188,740	428,675	\$27.46
B	301	19,055,680	2,366,516	12.4%	157,759	0.8%	2,524,275	13.2%	321,883	62,132	0	\$22.51
C	34	1,176,145	77,076	6.6%	650	0.1%	77,726	6.6%	7,171	(25,391)	0	\$19.05
Total	485	44,104,800	5,756,757	13.1%	633,236	1.4%	6,389,993	14.5%	1,101,280	225,481	428,675	\$25.13
DENVER-DOWNTOWN OFFICE SUBMARKET OVERVIEW												
Q3 2017	215	35,984,889	4,295,849	11.9%	681,295	1.9%	4,977,144	13.8%	397,765	266,112	0	\$33.70
Q2 2017	215	35,984,889	4,577,027	12.7%	691,410	1.9%	5,268,437	14.6%	775,744	15,219	53,478	\$33.53
Q1 2017	214	35,931,411	4,488,207	12.5%	741,971	2.1%	5,230,178	14.6%	1,104,359	(127,593)	347,653	\$33.22
Q4 2016	212	35,583,758	4,072,386	11.4%	682,546	1.9%	4,754,932	13.4%	1,518,015	(35,406)	311,015	\$33.46
Q3 2016	211	35,272,743	3,804,156	10.8%	604,355	1.7%	4,408,511	12.5%	904,015	(166,543)	0	\$33.50
Q2 2016	211	35,272,743	3,782,102	10.7%	459,866	1.3%	4,241,968	12.0%	1,414,593	(240,602)	60,000	\$34.00
Q1 2016	210	35,206,743	3,499,736	9.9%	435,630	1.2%	3,935,366	11.2%	511,516	(28,758)	0	\$34.10
Q4 2015	210	35,206,743	3,475,077	9.9%	431,531	1.2%	3,906,608	11.1%	1,279,266	452,726	246,123	\$33.75
Q3 2015	208	34,991,020	3,730,753	10.7%	412,531	1.2%	4,143,284	11.8%	1,075,840	92,816	606,299	\$33.50
DENVER-DOWNTOWN OFFICE SUBMARKET BREAKOUT BY CLASS												
A	58	23,053,262	3,036,019	13.2%	543,909	2.4%	3,579,928	15.5%	231,364	251,271	0	\$35.39
B	136	11,615,450	1,222,061	10.5%	137,386	1.2%	1,359,447	11.7%	141,426	604	0	\$29.95
C	21	1,316,177	37,769	2.9%	0	0.0%	37,769	2.9%	24,975	14,237	0	\$22.64
Total	215	35,984,889	4,295,849	11.9%	681,295	1.9%	4,977,144	13.8%	397,765	266,112	0	\$33.70

Denver | Southeast Office Market Q3 2017



Denver | Downtown Office Market Q3 2017





SIGNIFICANT RECENT TRANSACTIONS

SALES ACTIVITY

PROPERTY	SUBMARKET	SALE PRICE	SIZE SF	BUYER	SELLER
8181 E. Tufts 8181 East Tufts Avenue	Southeast	\$40,000,000	185,256	Rees Properties, Inc.	Westcore Properties
Atrium III 6162 South Willow Drive	Southeast	\$27,250,000	156,807	Boyd Watterson Asset Mgmt.	iStar Financial, Inc.

LEASING ACTIVITY

PROPERTY	SUBMARKET	BLDG. CLASS	LEASED SF	COMPANY
One Belleview Station 7001 East Belleview Avenue	Southeast	A	266,776	Western Union
INOVA Dry Creek II 10825 East Geddes Avenue	Southeast	A	141,736	The Travelers Companies, Inc.

396 offices in 68 countries on 6 continents

United States: **153**

Canada: **29**

Latin America: **24**

Asia Pacific: **79**

EMEA: **111**

\$2.6

billion in
annual revenue

2.0

billion square feet
under management

15,000

professionals
and staff

About Colliers International

Colliers International Group Inc. (NASDAQ: CIG; 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

Matthew Ball
Tenant Advisory Serv.
+1 303 309 3526
matt.ball@colliers.com

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

Jamie Faus
Associate
+1 303 283 4597
jamie.faus@colliers.com

Chris Hoffmeister
Associate
+1 303 283 1375
chris.hoffmeister@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 1225
Denver, CO | USA

REGIONAL AUTHOR:

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

