Market Report

METRO DENVER | OFFICE

Q3 2015

Colliers INTERNATIONAL

Accelerating success.

Class A Space Leads Q3 Absorption – Overall YTD Passes 1.5 Million Square Feet

MARKET OVERVIEW

Although the Metro Denver office market experienced a slight decrease in absorption from the previous quarter, the market posted a strong showing of over 495,000 square feet of positive net absorption. Class A product absorbed nearly 88 percent of the overall total during the quarter. As the overall metro market continues to absorb available space, the delivery of new office projects in the Downtown submarket complements a healthy, highly sought-after office sector. Currently the metro has over 2.4 million square feet of office product under construction with Downtown Denver leading the charge with over 1.4 million square feet of office space under construction.

MARKET INDICATORS*

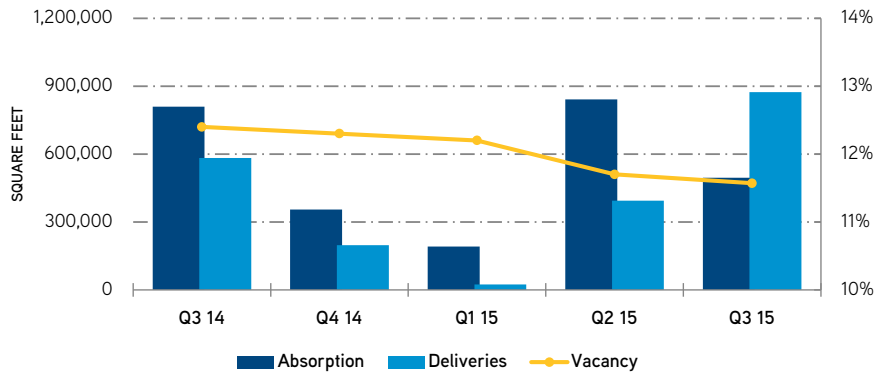
	Q3 2015	Projected Q4 2015
VACANCY	↓	↓
NET ABSORPTION	+	+
DELIVERIES	↑	↓
RENTAL RATE	↑	↑

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

SUMMARY STATISTICS

	Q3 2014	Q3 2015
VACANCY RATE	12.4%	11.6%
ABSORPTION YTD	1,476,327 SF	1,528,184 SF
DELIVERIES YTD	810,651 SF	1,292,499 SF
UNDER CONSTRUCTION	834,692 SF	2,404,125 SF
ASKING RENTS/SF	$23.35/SF	$24.53/SF

Denver Office Market Q3 2014-Q3 2015



Source: CoStar, Colliers Research

HIGHLIGHTED ECONOMIC TRENDS

Economic Success

1ST

Denver **ranks first** among the **"Best places for business and careers"** list.

-Forbes, 2015

Local Employment Growth

3.6%

As of **August 2015**, the Bureau of Labor Statistics indicated the estimated **unemployment rate** for the **Metro Denver** area at **3.6 percent** – which is down slightly from the previous month, but well below the previous year's unemployment rate of **4.5 percent in August 2014**. The **National unemployment** rate is **5.2 percent**.

Investment Sales

$162M

Investment activity during the third quarter totaled nearly **$162,000,000** throughout Metro Denver.

Metro Denver's year-to-date absorption totals a positive 1,528,184 square feet – approximately 3.5 percent higher than the year-to-date total at the end of the third quarter in 2014.

ABSORPTION

Third quarter absorption slowed compared to the previous quarter with over 495,000 square feet of positive net absorption being reported. All submarkets, with the exception of the Southeast and North/Northeast submarkets, reported positive net absorption during the quarter. Class A buildings accounted for approximately 88 percent of the metro's reported positive net absorption, while metro Class B and C buildings reported positive absorption of nearly 61,800 square feet, respectively. Metro Denver's year-to-date absorption totals a positive 1,528,184 square feet – approximately 3.5 percent higher than the year-to-date total at the end of the third quarter in 2014.

VACANCY

The overall third quarter vacancy rate remained relatively unchanged from the previous quarter, decreasing slightly to 11.6 percent from 11.7 percent during the second quarter. Compared to the third quarter 2014, the overall vacancy rate has decreased 80 basis points. Lower vacancy rates in the Southwest, Broomfield, and Northwest submarkets offset an 80-basis-point increase in the Downtown submarket. The increase in vacancy can predominately be attributed to the delivery of over 620,000 square feet of new product in the submarket. Vacancy in the Southwest submarket has decreased to 13.6 percent in the third quarter, which is down 140 basis points from the previous quarter.

DELIVERIES & CONSTRUCTION

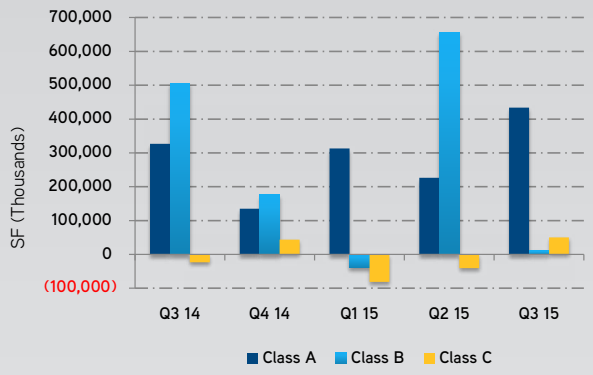
Deliveries increased during the third quarter compared to the first half of 2015, as multiple projects were completed delivering nearly 874,000 square feet to the market. Of the nearly 874,000 square feet delivered in the quarter, approximately 71 percent is located in the Downtown submarket. Other submarkets contributing to third quarter deliveries include Colorado Blvd/Glendale (inclusive of Cherry Creek) and Aurora.

Current under construction totals at the end of the third quarter reached 2,404,125 million square feet throughout the Metro Denver office market. Once again, over half of the current construction activity in the metro is attributed to the Downtown submarket, which reports 1,349,067 square feet under construction. Southeast submarket construction totals 614,287 square feet, and Colorado Blvd/Glendale totals 259,982 square feet currently underway. Class A product accounts for nearly 95 percent of Metro Denver's construction currently underway.

RENTAL RATES

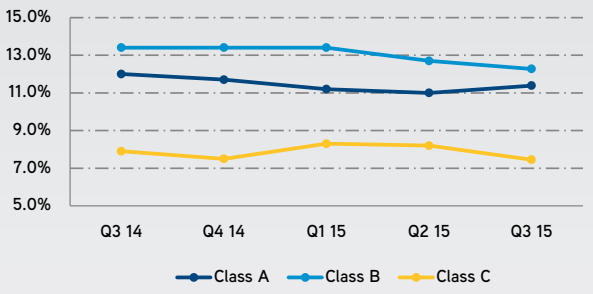
Overall direct asking rental rates increased to $24.53 per square foot (full service) in the third quarter—a $1.18 per square foot, or 5.1 percent increase from the third quarter 2014 when the average asking rate was $23.35 per square foot. Asking rental rates for Class A space throughout the Metro Denver averaged $29.90 per square foot – a 4.6 percent increase year-over-year. Class B rental rates appreciated 4.4 percent year-over-year indicating an average asking rate of $20.96 per square foot during the third quarter.

Absorption



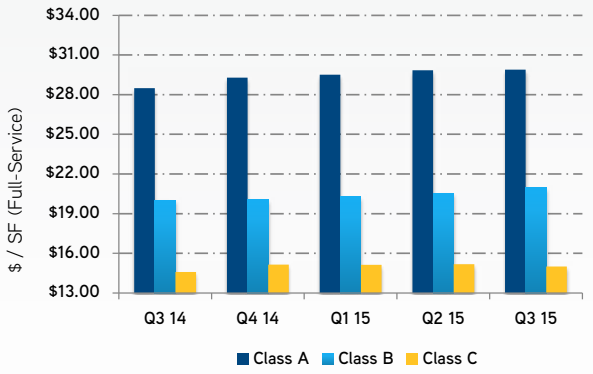
Source: CoStar, Colliers Research

Vacancy



Source: CoStar, Colliers Research

Rental Rates



Source: CoStar, Colliers Research

Submarket Statistics

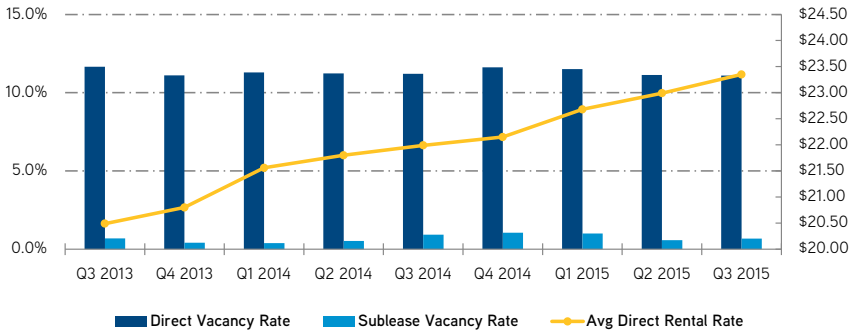
Submarket/Class	Buildings	Total Inventory SF	Direct Vacancy Rate	Sublease Vacancy Rate	Vacancy Rate Current	Vacancy Rate Prior Qtr	Leasing Activity SF	Net Absorption Current Qtr SF	Net Absorption YTD SF	Deliveries Current Qtr SF	Deliveries YTD SF	Under Construction SF	Avg. Direct Rental Rate (SF)
	EXISTING PROPERTIES						ACTIVITY	ABSORPTION		CONSTRUCTION			RENTS
DOWNTOWN													
CENTRAL BUSINESS DISTRICT/LODO													
A	53	22,252,265	12.1%	1.5%	13.6%	11.7%	343,391	130,310	261,774	620,928	620,928	1,296,821	$35.56
B	171	11,812,703	7.6%	1.0%	8.6%	8.8%	196,978	17,064	79,236	-	105,779	52,246	$28.16
C	45	1,732,644	1.0%	0.0%	1.0%	1.3%	4,592	5,150	1,171	-	-	-	$28.28
Total	**269**	**35,797,612**	**10.1%**	**1.2%**	**11.3%**	**10.5%**	**544,961**	**152,524**	**342,181**	**620,928**	**726,707**	**1,349,067**	**$33.43**
SUBURBAN													
AURORA													
A	13	1,921,923	8.1%	0.0%	8.1%	6.6%	36,626	76,220	67,578	112,000	112,000	-	$24.61
B	112	5,597,078	12.0%	0.1%	12.1%	11.6%	13,905	(24,597)	59,227	-	-	-	$18.71
C	34	848,578	10.3%	0.0%	10.3%	11.0%	5,370	6,397	19,282	-	-	-	$11.28
Total	**159**	**8,367,579**	**10.9%**	**0.0%**	**11.0%**	**10.5%**	**55,901**	**58,020**	**146,087**	**112,000**	**-**	**-**	**$18.26**
BROOMFIELD													
A	19	3,067,131	8.5%	1.0%	9.5%	10.3%	33,029	23,374	161,857	-	-	105,288	$28.29
B	46	2,981,337	6.3%	0.8%	7.1%	7.2%	2,213	2,241	79,187	-	-	-	$23.07
C	4	59,982	0.0%	0.0%	0.0%	0.0%	-	-	-	-	-	-	-
Total	**69**	**6,108,450**	**7.3%**	**0.9%**	**8.2%**	**8.6%**	**35,242**	**25,615**	**241,044**	**-**	**-**	**105,288**	**$26.28**
COLORADO BOULEVARD/GLENDALE													
A	24	3,856,751	11.3%	0.1%	11.3%	10.9%	32,446	71,012	125,492	100,000	247,938	232,444	$29.89
B	137	7,226,712	11.7%	0.1%	11.7%	12.0%	131,186	44,458	(4,213)	27,090	27,090	27,538	$21.34
C	59	1,222,244	3.1%	0.0%	3.1%	4.8%	4,141	20,559	(27,462)	-	-	-	$16.03
Total	**220**	**12,305,707**	**10.7%**	**0.1%**	**10.8%**	**10.9%**	**167,773**	**136,029**	**93,817**	**127,090**	**275,028**	**259,982**	**$24.47**
NORTH/NORTHEAST													
A	10	1,221,355	5.6%	0.0%	5.6%	5.9%	19,035	4,103	82,703	-	-	-	$22.08
B	129	5,737,517	8.2%	0.2%	8.4%	7.9%	38,966	(13,829)	37,626	13,764	13,764	15,243	$19.09
C	34	846,235	14.2%	0.0%	14.2%	15.3%	161	9,402	(27,378)	-	-	-	$16.42
Total	**173**	**7,805,107**	**8.4%**	**0.2%**	**8.6%**	**8.4%**	**58,162**	**(324)**	**92,951**	**13,764**	**13,764**	**15,243**	**$18.79**
NORTHWEST													
A	19	2,014,146	14.0%	0.7%	14.8%	15.6%	16,242	16,242	(20,781)	-	-	-	$24.54
B	169	5,096,374	11.8%	0.5%	12.3%	12.5%	7,623	7,623	(27,980)	-	-	-	$19.72
C	51	974,054	10.9%	0.2%	11.1%	10.7%	6,849	(3,819)	(15,558)	-	-	-	$14.73
Total	**239**	**8,084,574**	**12.3%**	**0.5%**	**12.8%**	**13.1%**	**30,714**	**20,046**	**(64,319)**	**-**	**-**	**-**	**$20.84**
SOUTHEAST													
A	136	21,568,490	9.7%	0.7%	10.4%	10.7%	363,968	52,283	245,471	-	-	614,287	$26.07
B	422	21,365,241	13.0%	0.7%	13.7%	13.3%	258,355	(85,424)	191,034	-	45,000	-	$20.90
C	78	1,761,384	4.9%	0.0%	4.9%	5.2%	9,886	4,967	4,875	-	-	-	$14.01
Total	**636**	**44,695,115**	**11.1%**	**0.7%**	**11.8%**	**11.7%**	**632,209**	**(28,174)**	**441,380**	**-**	**45,000**	**614,287**	**$23.35**
SOUTHWEST													
A	5	1,234,923	4.0%	1.5%	5.5%	5.3%	-	(2,506)	(4,912)	-	-	-	$26.44
B	159	5,932,844	15.5%	0.0%	15.5%	17.4%	68,715	111,621	73,300	-	-	-	$16.56
C	61	1,212,186	12.7%	0.0%	12.7%	13.0%	546	3,122	(24,574)	-	-	-	$14.67
Total	**225**	**8,379,953**	**13.4%**	**0.2%**	**13.6%**	**15.0%**	**69,261**	**112,237**	**43,814**	**-**	**-**	**-**	**$16.77**
WEST													
A	17	1,913,296	6.5%	0.4%	6.9%	10.1%	56,772	62,376	53,449	-	-	28,258	$26.54
B	208	8,696,218	16.2%	0.2%	16.4%	15.8%	55,014	(47,385)	141,240	-	120,000	32,000	$19.92
C	79	1,421,131	9.8%	0.0%	9.9%	10.2%	9,775	4,249	(3,460)	-	-	-	$14.10
Total	**304**	**12,030,645**	**13.9%**	**0.2%**	**14.1%**	**14.3%**	**121,561**	**19,240**	**191,229**	**-**	**120,000**	**60,258**	**$20.06**
SUBURBAN TOTAL													
A	243	36,798,015	9.4%	0.6%	10.1%	11.5%	558,118	303,104	710,857	212,000	359,938	980,277	$26.60
B	1,382	62,633,321	12.6%	13.0%	13.0%	12.9%	575,977	(5,292)	549,421	40,854	205,854	74,781	$19.98
C	400	8,345,794	8.8%	8.8%	8.8%	9.3%	36,728	44,877	(74,275)	-	-	-	$14.44
Total	**2,025**	**107,777,130**	**11.2%**	**0.4%**	**11.6%**	**11.2%**	**1,170,823**	**342,689**	**1,186,003**	**252,854**	**565,792**	**1,055,058**	**$21.98**
DENVER MARKET GRAND TOTAL													
A	296	59,050,280	10.5%	0.9%	11.4%	10.9%	901,509	433,414	972,631	832,928	980,866	2,277,098	$29.90
B	1,553	74,446,024	11.8%	0.5%	12.3%	12.2%	772,955	11,772	628,657	40,854	311,633	127,027	$20.96
C	445	10,078,438	7.4%	0.0%	7.5%	8.0%	41,320	50,027	(73,104)	-	-	-	$15.01
Total	**2,294**	**143,574,742**	**10.9%**	**0.6%**	**11.6%**	**11.7%**	**1,715,784**	**495,213**	**1,528,184**	**873,782**	**1,292,499**	**2,404,125**	**$24.53**
QUARTERLY COMPARISON													
Q3 15	2,294	143,574,742	10.9%	0.6%	11.6%	11.7%	1,715,784	495,213	1,528,184	873,782	1,292,499	2,404,125	$24.53
Q2 15	2,287	142,700,960	11.1%	0.6%	11.7%	12.2%	3,358,870	841,397	1,033,171	394,322	418,717	3,277,907	$24.26
Q1 15	2,288	142,306,638	11.4%	0.8%	12.2%	12.3%	2,706,630	191,774	191,774	24,395	24,395	2,200,602	$23.95
Q4 14	2,287	142,282,243	11.6%	0.7%	12.3%	12.4%	3,063,562	355,176	1,831,503	197,020	1,007,671	2,222,262	$23.70
Q3 14	2,283	142,085,223	11.9%	0.5%	12.4%	12.7%	3,310,726	809,056	1,476,327	582,402	810,651	834,692	$23.35

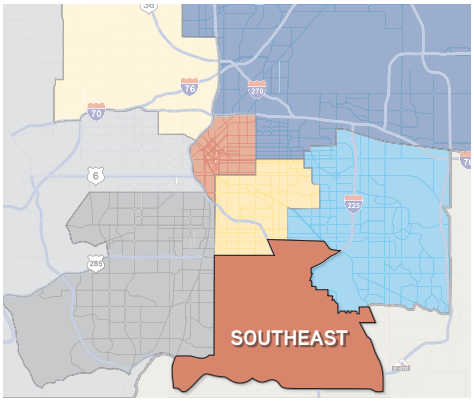
Data includes buildings with over 10,000 SF RBA not including those where medical or government users are the primary owner and occupier. The information contained in this report was provided by sources deemed to be reliable, however, no guarantee is made as to the accuracy or reliability. As new, corrected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

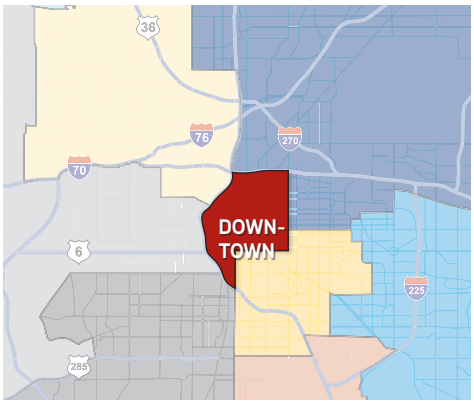
Southeast & Downtown Statistics

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												
Q3 2015	636	44,695,115	4,960,853	11.1%	301,075	0.7%	5,261,928	11.8%	632,209	(28,174)	0	$23.35
Q2 2015	636	44,695,115	4,977,078	11.1%	258,684	0.6%	5,235,762	11.7%	1,480,802	397,665	45,000	$22.99
Q1 2015	635	44,650,115	5,139,091	11.5%	449,336	1.0%	5,588,427	12.5%	1,080,884	71,889	0	$22.68
Q4 2014	635	44,650,115	5,188,132	11.6%	472,184	1.1%	5,660,316	12.7%	1,239,992	(207,802)	36,000	$22.15
Q3 2014	634	44,614,115	5,000,831	11.2%	415,683	0.9%	5,416,514	12.1%	1,322,245	162,244	375,000	$21.99
Q2 2014	632	44,239,115	4,969,399	11.2%	234,359	0.5%	5,203,758	11.8%	1,233,417	(19,963)	22,285	$21.80
Q1 2014	631	44,216,830	4,992,694	11.3%	168,816	0.4%	5,161,510	11.7%	695,624	(65,019)	0	$21.56
Q4 2013	631	44,216,830	4,911,879	11.1%	184,612	0.4%	5,096,491	11.5%	1,029,408	326,743	0	$20.80
Q3 2013	632	44,260,830	5,160,110	11.7%	306,788	0.7%	5,466,898	12.4%	1,042,395	507,566	275,000	$20.49
DENVER-SOUTHEAST OFFICE SUBMARKET BREAKOUT BY CLASS												
A	136	21,568,490	2,099,859	9.7%	150,684	0.7%	2,250,543	10.4%	363,968	52,283	0	$26.07
B	422	21,365,241	2,774,275	13.0%	150,391	0.7%	2,924,666	13.7%	258,355	(85,424)	0	$20.90
C	78	1,761,384	86,719	4.9%	0	0.0%	86,719	4.9%	9,886	4,967	0	$14.01
Total	**636**	**44,695,115**	**4,960,853**	**11.1%**	**301,075**	**0.7%**	**5,261,928**	**11.8%**	**632,209**	**(28,174)**	0	**$23.35**
DENVER-DOWNTOWN OFFICE SUBMARKET OVERVIEW												
Q3 2015	269	35,797,612	3,614,692	10.1%	445,879	1.2%	4,060,571	11.3%	544,961	152,524	620,928	$33.43
Q2 2015	267	35,206,684	3,305,243	9.4%	396,241	1.1%	3,701,484	10.5%	822,848	121,495	81,384	$33.62
Q1 2015	266	35,125,300	3,325,461	9.5%	416,134	1.2%	3,741,595	10.7%	824,571	68,162	24,395	$33.02
Q4 2014	264	35,100,905	3,547,023	10.1%	238,339	0.7%	3,785,362	10.8%	943,938	232,325	123,000	$32.46
Q3 2014	263	34,977,905	3,671,697	10.5%	222,990	0.6%	3,894,687	11.1%	915,752	431,166	207,402	$31.37
Q2 2014	261	34,770,503	3,940,718	11.3%	177,733	0.5%	4,118,451	11.8%	690,968	93,990	112,552	$30.46
Q1 2014	260	34,657,951	3,878,809	11.2%	221,080	0.6%	4,099,889	11.8%	468,691	92,348	0	$29.91
Q4 2013	261	34,761,791	4,117,545	11.8%	178,532	0.5%	4,296,077	12.4%	1,206,745	(86,091)	109,078	$29.75
Q3 2013	260	34,652,713	3,914,664	11.3%	186,244	0.5%	4,100,908	11.8%	731,521	(56,803)	0	$29.10
DENVER-DOWNTOWN OFFICE SUBMARKET BREAKOUT BY CLASS												
A	53	22,252,265	2,698,735	12.1%	322,664	1.5%	3,021,399	13.6%	343,391	130,310	620,928	$35.56
B	171	11,812,703	898,079	7.6%	123,215	1.0%	1,021,294	8.6%	196,978	17,064	0	$28.16
C	45	1,732,644	17,878	1.0%	0	0.0%	17,878	1.0%	4,592	5,150	0	$28.28
Total	**269**	**35,797,612**	**3,614,692**	**10.1%**	**445,879**	**1.2%**	**4,060,571**	**11.3%**	**544,961**	**152,524**	**620,928**	**$33.43**

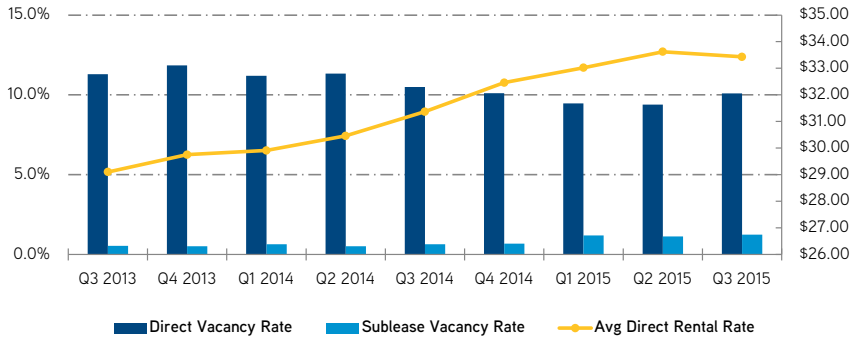
Denver I Southeast Office Market Q3 2013-Q3 2015





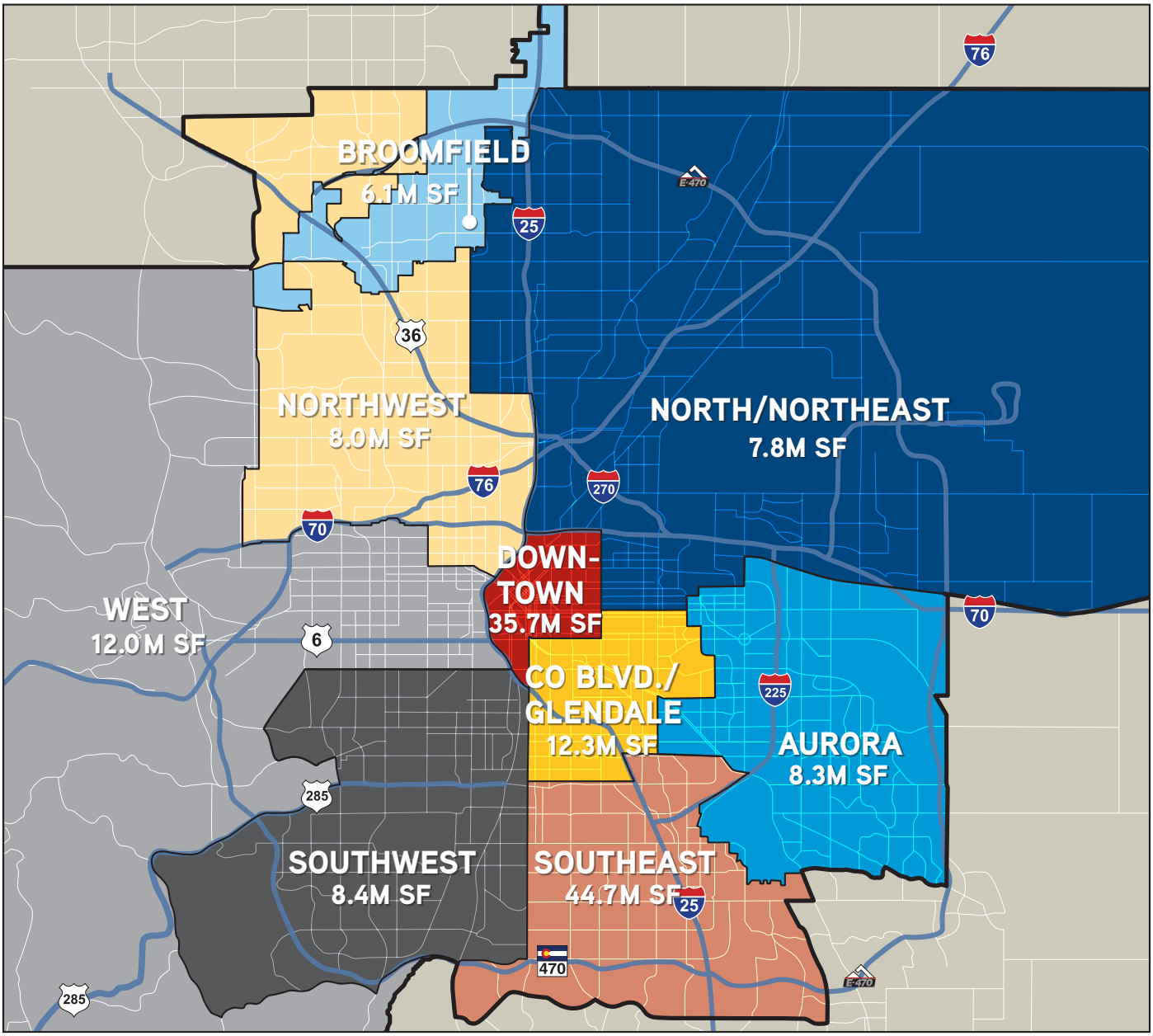


Denver I Downtown Office Market Q3 2013-Q3 2015



Submarket Map

**Existing Inventory*



SIGNIFICANT RECENT TRANSACTIONS

SALES ACTIVITY

PROPERTY	SUBMARKET	SALE PRICE	SIZE SF	BUYER	SELLER
One Cherry Center *501 S. Cherry Street*	Colorado Blvd./Glendale	$22,550,000	155,717	DPC Development Companies	Crown West Realty, LLC
Plaza at Inverness *5385 Inverness Parkway*	Southeast	$20,100,000	120,171	Colony Realty Partners	Teachers Retirement System of Illinois

LEASING ACTIVITY

PROPERTY	SUBMARKET	BLDG. CLASS	LEASED SF	COMPANY
Triangle Building *1550 Wewatta Street*	LoDo	A	71,617	WeWork
Park Meadows Corporate Center II *10002 Park Meadows Drive*	Lone Tree	A	70,272	Allstate Insurance Company

502 offices in **67** countries on **6** continents

United States: **140**
Canada: **31**
Latin America: **24**
Asia Pacific: **199**
EMEA: **108**

$2.3
billion in
annual revenue

1.7
billion square feet
under management

16,300
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.

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Accelerating success.