

Metro Denver Delivers Over 1.9 Million SF of New Office Product During 2015

MARKET OVERVIEW

Construction activity in the Metro Denver office market has been rampant during the past year. As 2015 came to an end, over 1,930,000 square feet of new office product had been introduced to the metro area – the most since 2008 when nearly 2,398,000 square feet was completed and delivered. As the population of Metro Denver continues to increase, growing the already highly-educated workforce, demand for quality office space will likely remain, if not intensify. With absorption remaining positive since the beginning of the recovery in 2010, and a gradually declining vacancy rate, the highly-diversified Denver office market continues to thrive.

MARKET INDICATORS*

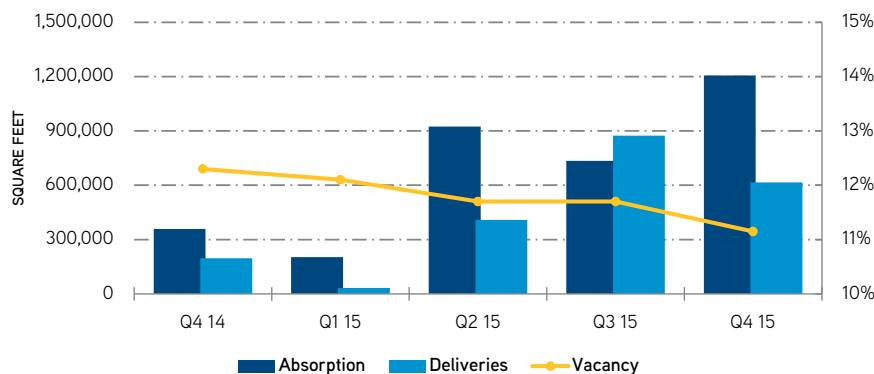
	Q4 2015	Projected Q1 2016
VACANCY	↓	↓
NET ABSORPTION	+	+
DELIVERIES	↓	↓
RENTAL RATE	↑	↑

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

SUMMARY STATISTICS

	Q4 2014	Q4 2015
VACANCY RATE	12.3%	11.1%
ABSORPTION YTD	1,839,358 SF	3,067,786 SF
DELIVERIES YTD	1,007,671 SF	1,931,519 SF
UNDER CONSTRUCTION	2,605,854 SF	2,776,666 SF
ASKING RENTS/SF	\$23.70/SF	\$24.83/SF

Denver Office Market Q4 2014-Q4 2015



Source: CoStar, Colliers Research

HIGHLIGHTED ECONOMIC TRENDS

Economic Success

Metro Denver **ranks first** among big cities in **economic and job growth**.

1st

-Area Development, 2015

Local Employment Growth

As of **November 2015**, the Bureau of Labor Statistics indicated the estimated

unemployment rate for the **Metro Denver** area at **3.2 percent** – down from the previous month, and **0.8 percent**

below the previous year's unemployment rate of **4.0 percent** in

November 2014. The **National** unemployment rate is **5.0 percent**.

Investment Sales

Annual investment activity during 2015

totaled nearly **\$2.1 Billion** throughout **Metro Denver**.

Metro Denver's absorption totaled a positive 3,067,786 square feet during 2015 – approximately 67 percent higher than the annual total for 2014.

ABSORPTION

Fourth quarter absorption increased significantly compared to the previous quarter with just over 1.2 million square feet of positive net absorption being reported. All submarkets, with the exception of the Northwest reported positive net absorption for the year. Class A buildings accounted for approximately 63 percent, or 1,934,000 square feet of the metro's reported positive net absorption during the year. Metro Class B buildings reported positive absorption of 1,196,000 square feet, respectively. Class C product experienced negative net absorption just under 63,000 square feet. Along with positive net absorption in Class A and B product, 98 percent of leasing activity for the quarter is attributed to Class A and B buildings, supporting the trend that high quality office space is exceedingly desirable in the current market.

VACANCY

The overall fourth quarter vacancy rate decreased 60 basis points from the previous quarter to 11.1 percent from 11.7 percent during the third quarter. Compared to the fourth quarter 2014, the overall vacancy rate has decreased 120 basis points. With over 2.5 million square feet of direct leasing activity, all submarkets, with the exception of the Southeast submarket, reported lower vacancy rates compared to the previous quarter. Leasing activity for sublease space slowed significantly compared to the third quarter, decreasing 67 percent.

DELIVERIES & CONSTRUCTION

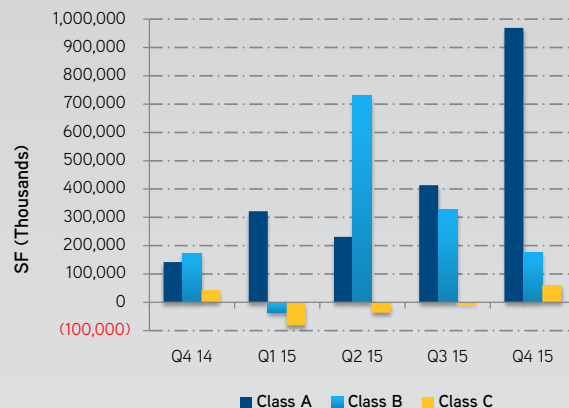
Deliveries during the fourth quarter were down nearly 42 percent from the previous quarter. The fourth quarter delivered over 615,000 square feet of office product to the market, of which 94 percent was delivered in the Southeast submarket throughout three buildings. The largest single delivery was the CoBank Center located at 6340 South Fiddler's Green Circle in Greenwood Village. The CoBank Center is a Class A building and consists of 274,287 square feet occupied by CoBank. It is estimated that 2016 will deliver over 1.5 million square feet of new office product throughout the year.

Current under construction totals at the end of the fourth quarter reached 2,776,666 million square feet throughout the Metro Denver office market with 56 percent located in the Downtown submarket. Of the office product currently under construction, over 80 percent is classified as Class A space. As Downtown continues to be the most sought after area of the metro for office development, other submarkets such as Colorado Boulevard/I-25 and the West submarket are seeing increasing development and have multiple projects underway totaling over 472,000 square feet.

RENTAL RATES

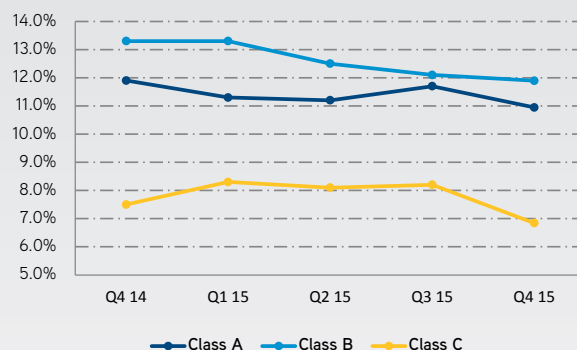
Overall direct asking rental rates increased to \$24.83 per square foot (full service) in the fourth quarter—a \$1.13 per square foot, or a 4.8 percent increase year-over-year when the average asking rate was \$23.70 per square foot. Asking rental rates for Class A space throughout the Metro Denver averaged \$30.16 per square foot – nearly a 3.0 percent increase from the previous year. Class B rental rates appreciated approximately 6 percent year-over-year indicating an average asking rate of \$21.26 per square foot during the fourth quarter.

Absorption



Source: CoStar, Colliers Research

Vacancy



Source: CoStar, Colliers Research

Rental Rates



Source: CoStar, Colliers Research

Submarket Statistics

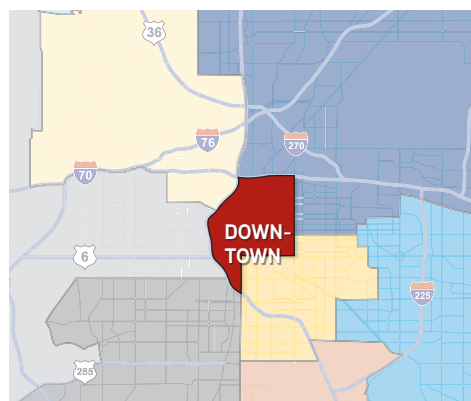
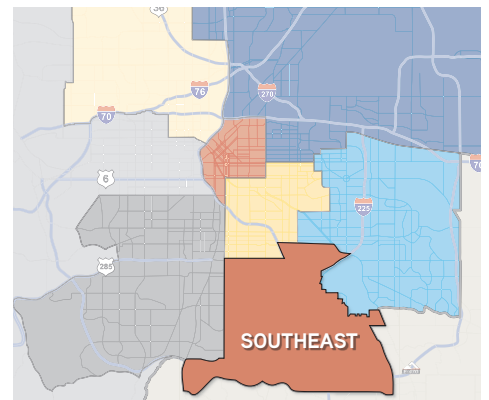
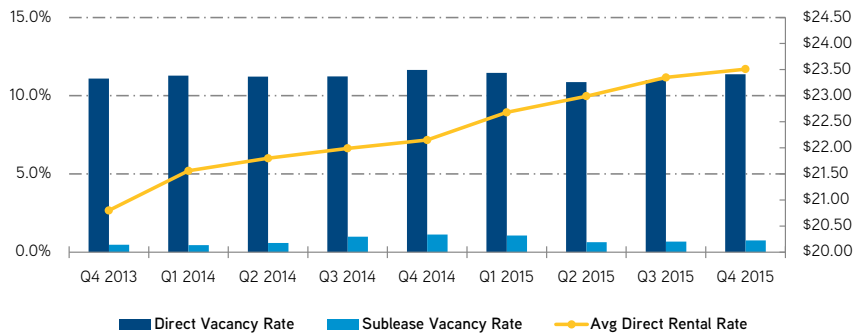
Submarket/Class	Buildings	Total Inventory SF	Direct Vacancy Rate	Sublease Vacancy Rate	Vacancy Rate Current	Vacancy Rate Prior Qtr	Leasing Activity SF	Net Absorption Current Qtr SF	Net Absorption YTD SF	Deliveries Current Qtr SF	Deliveries YTD SF	Under Construction SF	Avg. Direct Rental Rate (SF)
EXISTING PROPERTIES							ACTIVITY	ABSORPTION		CONSTRUCTION		RENTS	
DOWNTOWN													
CENTRAL BUSINESS DISTRICT/LODO													
A	53	22,347,999	11.1%	1.7%	12.8%	14.6%	720,628	405,011	642,665	-	620,958	1,297,250	\$35.68
B	172	11,815,459	8.2%	0.4%	8.6%	8.4%	261,716	(19,904)	68,102	-	105,779	267,978	\$28.59
C	43	1,687,164	0.9%	0.0%	0.9%	1.1%	7,247	1,867	(42,442)	-	-	-	\$27.25
Total	268	35,850,622	9.6%	1.2%	10.8%	11.9%	989,591	386,974	668,325	-	726,737	1,565,228	\$33.66
SUBURBAN													
AURORA													
A	13	1,921,923	5.3%	0.0%	5.3%	7.2%	90,553	36,626	121,155	-	112,000	-	\$24.67
B	112	5,597,140	10.8%	0.2%	11.0%	12.1%	14,924	60,284	119,511	-	-	-	\$18.64
C	34	848,578	10.2%	0.0%	10.2%	10.3%	-	959	20,241	-	-	-	\$11.34
Total	159	8,367,641	9.5%	0.1%	9.6%	10.8%	105,477	97,869	260,907	-	112,000	-	\$18.33
BROOMFIELD													
A	19	3,068,873	7.8%	0.9%	8.7%	9.5%	82,778	25,202	187,059	-	-	105,288	\$28.84
B	46	2,979,027	6.1%	0.8%	6.9%	6.8%	14,585	(2,821)	79,390	-	-	-	\$23.35
C	4	59,982	0.0%	0.0%	0.0%	0.0%	-	-	-	-	-	-	-
Total	69	6,107,882	6.9%	0.9%	7.7%	8.1%	97,363	22,381	266,449	-	-	105,288	\$26.75
COLORADO BOULEVARD/GLENDALE													
A	24	4,262,927	8.6%	0.1%	8.7%	10.3%	37,628	65,726	192,280	-	249,000	232,444	\$30.46
B	136	7,214,236	11.7%	0.2%	11.9%	11.6%	59,996	(25,378)	(5,482)	-	27,090	19,034	\$21.90
C	59	1,222,955	2.6%	0.0%	2.6%	3.1%	10,788	5,870	(21,592)	-	-	-	\$15.33
Total	219	12,700,118	9.8%	0.2%	9.9%	10.3%	108,412	46,218	165,206	-	276,090	251,478	\$25.00
NORTH/NORTHEAST													
A	10	1,221,355	4.7%	0.0%	4.7%	5.6%	3,455	11,140	93,843	-	-	53,000	\$23.71
B	130	5,742,820	7.5%	0.2%	7.8%	8.3%	21,288	41,766	381,222	10,416	24,180	15,243	\$19.27
C	34	846,235	14.0%	0.0%	14.0%	14.2%	8,714	1,571	(25,807)	-	-	-	\$16.78
Total	174	7,810,410	7.8%	0.2%	8.0%	8.5%	33,457	54,477	449,258	10,416	24,180	68,243	\$19.13
NORTHWEST													
A	19	2,014,146	13.1%	0.7%	13.9%	14.8%	51,095	18,536	(2,245)	-	-	-	\$24.53
B	169	5,094,771	10.9%	0.5%	11.5%	12.6%	94,763	59,517	(2,213)	-	-	13,292	\$19.91
C	52	1,024,632	11.7%	0.2%	11.9%	10.7%	7,840	(11,981)	(27,889)	-	-	-	\$15.85
Total	240	8,133,549	11.6%	0.5%	12.1%	12.9%	153,698	66,072	(32,347)	-	-	13,292	\$20.97
SOUTHEAST													
A	139	22,159,440	10.4%	0.8%	11.2%	10.6%	773,762	379,020	623,493	579,277	579,277	551,879	\$26.18
B	421	21,339,169	12.9%	0.7%	13.6%	13.3%	311,976	(71,066)	208,490	-	67,075	-	\$21.07
C	78	1,761,384	4.8%	0.0%	4.8%	4.9%	14,252	2,279	7,154	-	-	-	\$14.21
Total	638	45,259,993	11.4%	0.7%	12.1%	11.7%	1,099,990	310,233	839,137	579,277	646,352	551,879	\$23.51
SOUTHWEST													
A	5	1,215,568	4.1%	1.5%	5.6%	5.6%	-	-	(4,912)	-	-	-	\$26.44
B	160	5,987,177	15.3%	0.1%	15.4%	15.9%	52,363	53,074	125,074	26,160	26,160	-	\$17.82
C	60	1,235,482	10.4%	0.0%	10.4%	12.3%	3,512	24,191	(5,291)	-	-	-	\$14.64
Total	225	8,438,227	13.0%	0.3%	13.2%	13.9%	55,875	77,265	114,871	26,160	26,160	-	\$17.82
WEST													
A	17	1,913,296	5.0%	0.0%	5.0%	6.5%	9,706	27,652	81,101	-	-	28,258	\$26.76
B	207	8,644,827	14.9%	0.2%	15.0%	16.0%	92,589	80,677	221,917	-	120,000	193,000	\$19.97
C	78	1,411,131	7.3%	0.0%	7.4%	10.0%	8,667	36,422	32,962	-	-	-	\$14.15
Total	302	11,969,254	12.4%	0.1%	12.5%	13.7%	110,962	144,751	335,980	-	120,000	221,258	\$20.17
SUBURBAN TOTAL													
A	246	37,777,528	9.2%	0.6%	9.9%	10.0%	1,048,977	563,902	1,291,774	579,277	940,277	970,869	\$26.86
B	1,381	62,599,167	12.1%	12.5%	12.5%	12.8%	662,484	196,053	1,127,909	36,576	264,505	240,569	\$20.26
C	399	8,410,379	8.0%	8.0%	8.0%	8.7%	53,773	59,311	(20,222)	-	-	-	\$14.65
Total	2,026	108,787,074	10.8%	0.5%	11.3%	11.5%	1,765,234	819,266	2,399,461	615,853	1,204,782	1,211,438	\$22.25
DENVER MARKET GRAND TOTAL													
A	299	60,125,527	9.9%	1.0%	10.9%	11.7%	1,769,605	968,913	1,934,439	579,277	1,561,235	2,268,119	\$30.16
B	1,553	74,414,626	11.5%	0.4%	11.9%	12.1%	924,200	176,149	1,196,011	36,576	370,284	508,547	\$21.26
C	442	10,097,543	6.8%	0.0%	6.8%	7.4%	61,020	61,178	(62,664)	-	-	-	\$15.38
Total	2,294	144,637,696	10.5%	0.7%	11.1%	11.7%	2,754,825	1,206,240	3,067,786	615,853	1,931,519	2,776,666	\$24.83
QUARTERLY COMPARISON													
Q4 15	2,294	144,637,696	10.5%	0.7%	11.1%	11.7%	2,754,825	1,206,240	3,067,786	615,853	1,931,519	2,776,666	\$24.83
Q3 15	2,294	144,021,843	11.0%	0.7%	11.7%	11.7%	2,825,438	734,879	1,861,546	873,812	1,315,666	2,404,125	\$24.54
Q2 15	2,287	143,148,031	11.0%	0.7%	11.7%	12.1%	3,436,302	923,883	1,126,667	409,128	441,854	3,317,157	\$24.25
Q1 15	2,287	142,738,903	11.3%	0.8%	12.1%	12.3%	2,764,477	202,784	202,784	32,726	32,726	2,200,602	\$23.95
Q4 14	2,287	142,706,177	11.6%	0.7%	12.3%	12.7%	3,141,173	358,332	1,839,358	197,020	1,007,671	2,605,854	\$23.70

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.

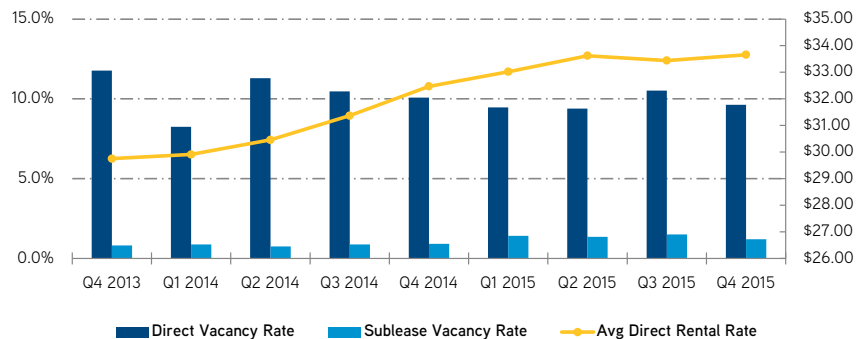
Southeast & Downtown Statistics

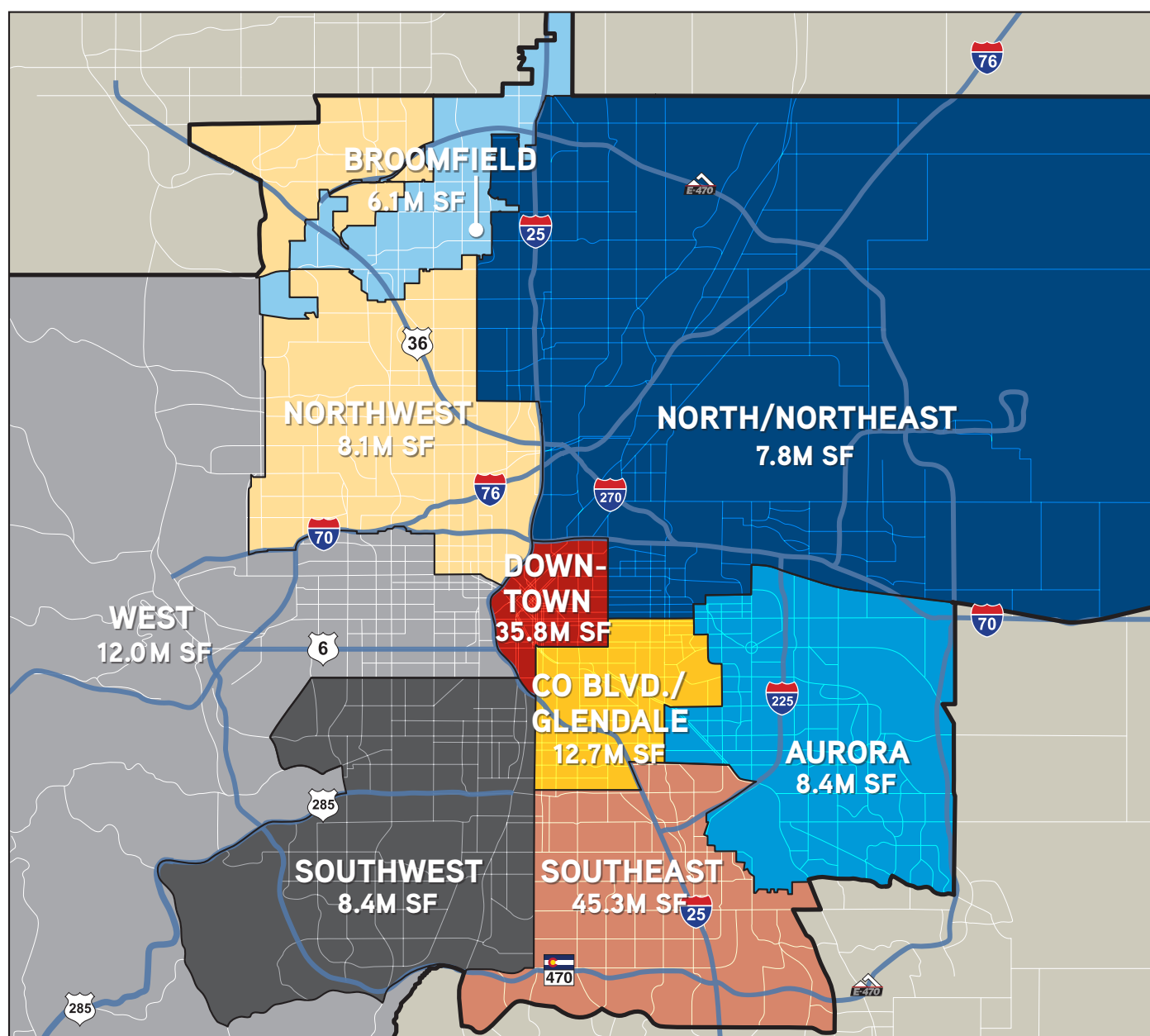
Period/Class	Buildings	Total Inventory SF		Direct Vacant SF	Direct Vacancy Rate	Sublease Vacant SF		Sublease Vacancy Rate	Total Vacant SF	Vacancy Rate Current	Leasing Activity SF	Net Absorption Current Qtr. SF	Deliveries Current Qtr. SF	Average Rental Rate (F5)
EXISTING PROPERTIES		VACANCY								ACTIVITY	ABSORP.	CONSTR.	RENTS	
DENVER-SOUTHEAST OFFICE MARKET OVERVIEW														
Q4 2015	638	45,259,993	5,144,544	11.4%	337,611	0.7%	5,482,155	12.1%	1,099,990	310,233	579,277	\$23.51		
Q3 2015	635	44,680,246	4,911,566	11.0%	301,075	0.7%	5,212,641	11.7%	862,402	(67,493)	0	\$23.35		
Q2 2015	635	44,680,246	4,858,190	10.9%	286,958	0.6%	5,145,148	11.5%	1,482,177	493,519	45,000	\$22.99		
Q1 2015	634	44,635,246	5,116,057	11.5%	477,610	1.1%	5,593,667	12.5%	1,113,160	102,878	22,075	\$22.68		
Q4 2014	634	44,635,246	5,196,087	11.6%	500,458	1.1%	5,696,545	12.8%	1,244,273	(207,802)	36,000	\$22.15		
Q3 2014	633	44,599,246	5,008,786	11.2%	443,957	1.0%	5,452,743	12.2%	1,322,245	147,719	375,000	\$21.99		
Q2 2014	631	44,224,246	4,962,829	11.2%	262,633	0.6%	5,225,462	11.8%	1,233,417	(19,963)	22,285	\$21.80		
Q1 2014	630	44,201,961	4,986,124	11.3%	197,090	0.4%	5,183,214	11.7%	695,624	(65,019)	0	\$21.56		
Q4 2013	630	44,201,961	4,905,309	11.1%	212,886	0.5%	5,118,195	11.6%	1,029,408	326,743	0	\$20.80		
DENVER-SOUTHEAST OFFICE SUBMARKET BREAKOUT BY CLASS														
A	139	22,159,440	2,307,197	10.4%	180,276	0.8%	2,487,473	11.2%	773,762	379,020	579,277	\$26.18		
B	421	21,339,169	2,752,907	12.9%	157,335	0.7%	2,910,242	13.6%	311,976	(71,066)	0	\$21.07		
C	78	1,761,384	84,440	4.8%	0	0.0%	84,440	4.8%	14,252	2,279	0	\$14.21		
Total	638	45,259,993	5,144,544	11.4%	337,611	0.7%	5,482,155	12.1%	1,099,990	310,233	579,277	\$23.51		
DENVER-DOWNTOWN OFFICE SUBMARKET OVERVIEW														
Q4 2015	268	35,850,622	3,452,184	9.6%	429,146	1.2%	3,881,330	10.8%	989,591	386,974	0	\$33.66		
Q3 2015	270	35,896,102	3,775,461	10.5%	538,323	1.5%	4,313,784	12.0%	1,095,353	100,910	620,958	\$33.44		
Q2 2015	267	35,275,144	3,314,312	9.4%	479,424	1.4%	3,793,736	10.8%	842,168	132,308	95,128	\$33.62		
Q1 2015	265	35,180,016	3,331,599	9.5%	499,317	1.4%	3,830,916	10.9%	830,571	48,133	10,651	\$33.02		
Q4 2014	264	35,169,365	3,546,876	10.1%	321,522	0.9%	3,868,398	11.0%	1,014,903	228,798	123,000	\$32.47		
Q3 2014	263	35,046,365	3,668,023	10.5%	306,173	0.9%	3,974,196	11.3%	915,752	431,366	207,402	\$31.37		
Q2 2014	261	34,838,963	3,937,244	11.3%	260,916	0.7%	4,198,160	12.1%	690,968	82,237	11,552	\$30.46		
Q1 2014	260	34,726,411	2,863,582	8.2%	304,263	0.9%	3,167,845	9.1%	468,691	114,748	0	\$29.91		
Q4 2013	261	34,830,251	4,102,218	11.8%	284,215	0.8%	4,386,433	12.6%	1,206,745	(86,191)	109,078	\$29.75		
DENVER-DOWNTOWN OFFICE SUBMARKET BREAKOUT BY CLASS														
A	53	22,347,999	2,472,911	11.1%	380,727	1.7%	2,853,638	12.8%	720,628	405,011	0	\$35.68		
B	172	11,815,459	963,262	8.2%	48,419	0.4%	1,011,681	8.6%	261,716	(19,904)	0	\$28.59		
C	43	1,687,164	16,011	0.9%	0	0.0%	16,011	0.9%	7,247	1,867	0	\$29.97		
Total	268	35,850,622	3,452,184	9.6%	429,146	1.2%	3,881,330	10.8%	989,591	386,974	0	\$33.66		

Denver | Southeast Office Market Q4 2013-Q4 2015



Denver | Downtown Office Market Q4 2013-Q4 2015





SIGNIFICANT RECENT TRANSACTIONS

SALES ACTIVITY

PROPERTY	SUBMARKET	SALE PRICE	SIZE SF	BUYER	SELLER
CoBank Center 6340 S. Fiddler's Green Circle	Greenwood Village	\$113,463,400	274,287	GLL Real Estate Partners	Shea Properties
303 17th Avenue Denver, CO 80203	Central Business District	\$65,500,000	295,282	Kennedy-Wilson Properties, Ltd.	Equity West Investment Partners

LEASING ACTIVITY

PROPERTY	SUBMARKET	BLDG. CLASS	LEASED SF	COMPANY
Chestnut Building 16 Chestnut Place	Platte River	A	265,322	DaVita Healthcare Partners, Inc.
7601 DTC 7601 Technology Way	Denver Tech Center	A	119,459	Jackson National Life

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.

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

Chuck Zeman
Senior V.P.
+1 303 565 3783
chuck.zeman@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

