

Momentum Continues as Year-to-Date Absorption Already Eclipses 2016 Year-End Total

MARKET OVERVIEW

While off the scorching pace of 2018, demand remains strong as the office market absorbed over 1.1 million SF during the first half of the year. A limited supply of space, particularly in larger blocks of space, helped push lease rates up 2% during this same period.

Following on the heels of three straight years with job growth in excess of 3%, year-to-date job growth for the metro area dipped to 1.6%. Meanwhile, the unemployment rate dropped to 2.7%, which underscores the labor shortage the metro area is facing. As a result, while interest and activity remain high, a constricted labor force attributed to the decline in deal volume during the first half of the year. Leasing activity fell just short of 5 million SF, down from 6.4 million SF for the same time period a year ago.

With an overall vacancy rate of 10.8%, the office market remains tight. While 3 million SF is under construction, limited space options will continue to be an issue as the majority of that space won't begin to be delivered until the second quarter of 2020.

MARKET INDICATORS*

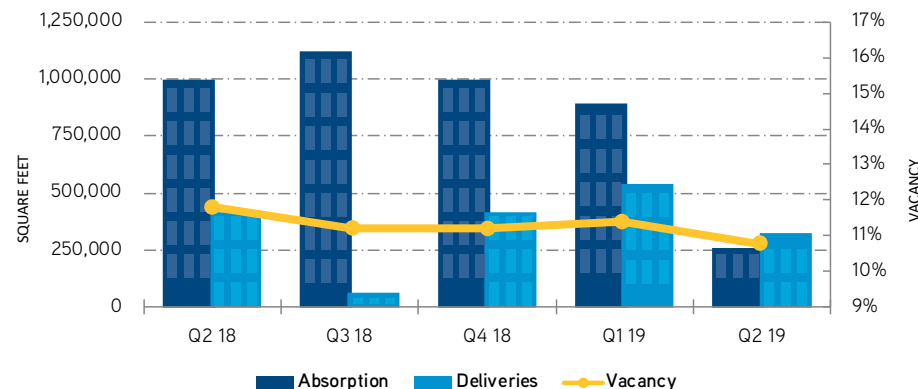
	Q2 2019	Projected Q 2019
VACANCY	↔	↓
NET ABSORPTION	+	+
DELIVERIES	↓	↑
RENTAL RATE	↑	↑

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

SUMMARY STATISTICS

	Q2 2018	Q2 2019
VACANCY RATE	11.8%	10.8%
ABSORPTION YTD	95,099	1,135,835
DELIVERIES YTD	3,615,717	862,516
UNDER CONSTRUCTION	4,037,038	3,027,263
ASKING RENTS/SF	\$27.45	\$27.99

Denver Office Market Q2 2018-Q2 2019



Source: CoStar, Colliers Research

HIGHLIGHTED ECONOMIC TRENDS

Local Unemployment Rates

The unemployment rate dipped to **2.7%** locally, a full percentage point lower than the national rate of **3.7%**

CBD Sales

Three downtown skyscrapers traded hands in June; 1700 Broadway, 1560 Broadway and 410 17th Street, totaling nearly **\$350 million**.

Construction

Over **1.4 million square feet** of new construction has been delivered to the market during the first half of the year, with another **3 million square feet** under construction.

Office absorption totaled over 250,000 square feet during Q2.

ABSORPTION

Another 250,000 SF was absorbed during the quarter, bringing the year-to-date total to just over 1.1 million SF. By comparison, the market absorbed over 3.8 million SF last year, 1.7 million in 2017 and 900,000 SF in 2016. Tech tenants have been the primary drivers of absorption over the last few years and 2Q19 was no different as Slack and Splunk accounted for 121,903 SF or nearly 50% of the absorption for the quarter. Downtown continued to carry the load for the metro area absorbing 200,000 SF in the second quarter. Six of the 14 submarkets posted negative absorption for the quarter, with the Colorado Boulevard/Glendale market leading the way with -92,617 SF.

VACANCY

Although leasing activity is off the pace of 2018, Denver's metro wide vacancy rate continues to bounce around the 11% range and finished the second quarter at 10.8%. Quarter-to-quarter changes in vacancy rates for Class A properties remained unchanged at 11.7% and Class B properties increased by 10 basis points to 10.7%. Denver's largest submarket, Southeast, posted a 10 basis point increase in its overall vacancy rate, which currently stands at 13.7%. The second largest submarket, Downtown, experienced a 30 basis point decline to 12.5%. Going forward, vacancy rates are expected to continue their downward trajectory as several sizeable leases like Cochlear Americas, Zayo Group, and Ball Corp are set to take occupancy during the second half of the year.

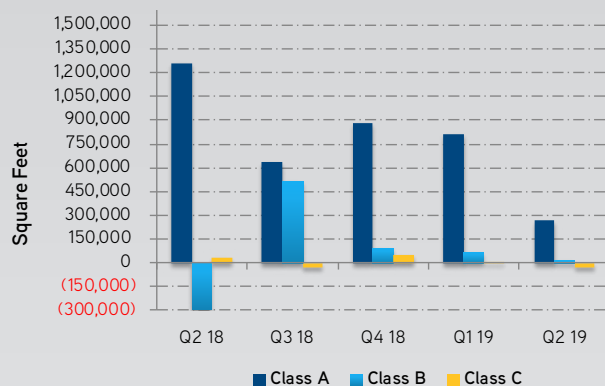
DELIVERIES & CONSTRUCTION

Over 850,000 SF of new product has been delivered to the market during the first half of the year. Another 3 million SF is currently under construction, of which 600,000+ SF is slated to be delivered by year-end. Interest in these new developments is running high as 70% of the 3 million SF has been pre-leased and 86% of the space scheduled to be delivered later this year has been spoken for. Leasing activity in the 4+ million SF of buildings that were delivered in 2018 has been equally strong, as those buildings are 85% occupied.

RENTAL RATES

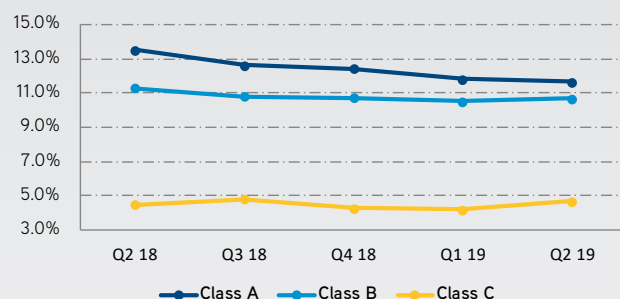
New construction continues to pull lease rates upwards, as overall full service lease rates reached \$27.99/SF. While Class A lease rates finished the quarter at \$31.29/SF, lease rates in buildings delivered since 2016 are averaging \$37.32/SF metro wide and \$42.71/SF in the Downtown market. In Class B properties, tenants are paying a 25% premium to be located in Downtown compared to the suburbs. Downtown Class B rates finished the quarter at \$30.79 compared to the \$23.17 average in the suburbs. While lease rates are expected to rise going forward, the rate at which they increase is expected to diminish over time.

Absorption



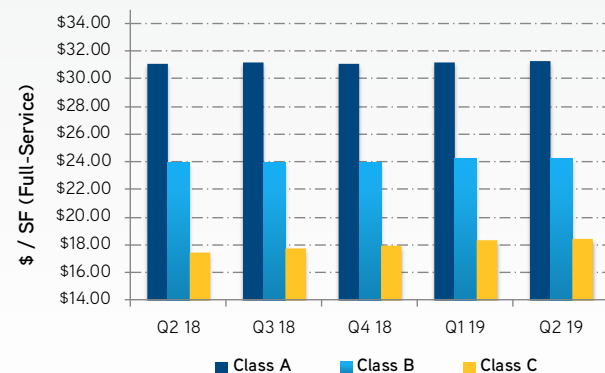
Source: CoStar, Colliers Research

Vacancy



Source: CoStar, Colliers Research

Rental Rates



Source: CoStar, Colliers Research

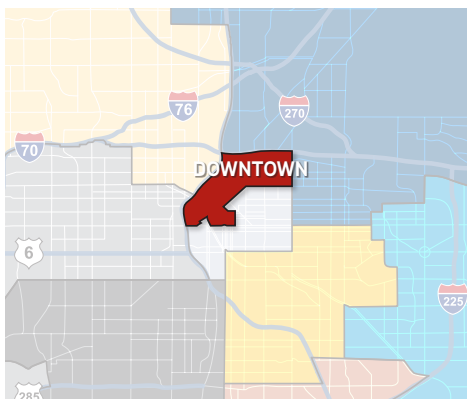
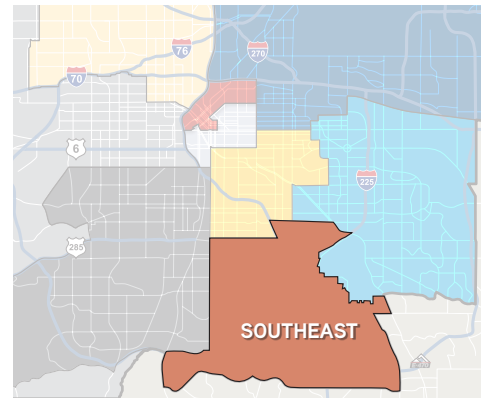
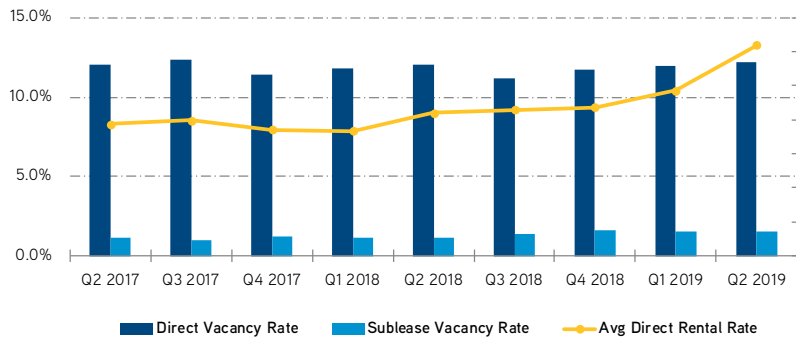
Submarket Statistics

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 Const. SF	Avg. Direct Rental Rate (\$/SF)
EXISTING PROPERTIES							ACTIVITY	ABSORPTION		CONSTRUCTION			RENTS
DOWNTOWN													
CENTRAL BUSINESS DISTRICT/LODO/CENTRAL PLATTE VALLEY													
A	73	25,886,967	11.1%	1.6%	12.7%	13.1%	367,285	224,273	416,081	111,836	391,153	1,407,105	\$36.84
B	137	11,591,378	12.0%	1.0%	13.0%	12.9%	123,120	(14,086)	45,911	-	-	148,925	\$30.79
C	21	1,319,077	4.2%	0.0%	4.2%	4.3%	-	140	140	-	-	-	\$29.09
Total	231	38,797,422	11.1%	1.4%	12.5%	12.8%	490,405	210,327	462,132	111,836	391,153	1,556,030	\$35.25
MIDTOWN													
SOUTH MIDTOWN/CAPITOL HILL													
A	9	1,176,361	2.3%	0.7%	2.9%	(2.8%)	12,464	16,038	32,174	81,000	81,000	236,805	\$30.63
B	53	3,476,181	6.2%	0.0%	6.2%	5.4%	0	(30,883)	(96,123)	-	-	-	\$28.53
C	35	1,489,800	3.5%	0.0%	3.5%	3.0%	6,100	(7,992)	(4,333)	-	-	-	\$23.31
Total	97	6,142,342	4.8%	0.1%	4.9%	3.3%	18,564	(22,837)	(68,282)	81,000	81,000	236,805	\$28.75
SUBURBAN													
AURORA													
A	13	1,817,371	7.6%	0.0%	7.6%	7.6%	-	(199)	(7,862)	-	-	-	\$22.95
B	78	5,488,614	9.6%	0.2%	9.8%	10.1%	46,397	17,295	(25,892)	-	-	-	\$20.23
C	18	620,381	8.4%	0.0%	8.4%	9.0%	16,442	3,721	(12,541)	-	-	-	\$16.37
Total	109	7,926,366	9.1%	0.1%	9.2%	9.4%	62,839	20,817	(46,295)	-	-	-	\$20.59
BOULDER													
A	25	2,288,867	4.5%	0.6%	5.1%	5.1%	10,862	(1,067)	48,082	-	-	160,000	\$34.22
B	171	8,773,637	6.7%	0.9%	7.6%	8.5%	55,163	73,300	145,568	-	53,318	118,000	\$25.18
C	11	492,879	6.1%	3.8%	9.9%	6.4%	-	(17,026)	(18,782)	-	-	-	\$15.78
Total	56	6,365,833	5.1%	0.3%	5.4%	6.3%	71,498	85,970	226,115	27,440	106,440	38,500	\$26.61
BROOMFIELD													
A	24	3,529,628	2.8%	0.3%	3.1%	5.1%	43,931	67,557	178,799	-	79,000	38,500	\$27.63
B	32	2,836,205	7.8%	0.3%	8.2%	7.9%	27,567	18,413	47,316	27,440	27,440	-	\$24.07
Total	56	6,365,833	5.1%	0.3%	5.4%	6.3%	71,498	85,970	226,115	27,440	106,440	38,500	\$26.61
COLORADO BOULEVARD/GLENDALE													
A	29	4,555,466	12.2%	0.6%	12.8%	10.5%	90,163	(104,327)	254,850	-	75,000	155,000	\$29.42
B	95	6,633,749	8.3%	0.6%	8.9%	9.2%	129,108	14,768	27,776	-	-	62,995	\$25.60
C	25	990,886	9.1%	0.0%	9.1%	8.8%	2,045	(3,058)	6,139	-	-	-	\$20.09
Total	149	12,180,101	9.8%	0.6%	10.4%	9.6%	221,316	(92,617)	288,765	-	75,000	217,995	\$26.96
LONGMONT													
A	1	104,805	66.2%	0.0%	66.2%	62.0%	-	(4,424)	(4,424)	-	-	-	\$26.01
B	18	669,738	2.2%	0.0%	2.2%	1.8%	7,472	(2,569)	785	-	-	-	\$21.44
C	6	184,923	0.0%	0.0%	0.0%	3.4%	-	6,331	16,238	-	-	-	\$19.37
Total	25	959,466	8.8%	0.0%	8.8%	8.7%	7,472	(662)	12,599	-	-	-	\$24.60
NORTH													
A	9	832,387	0.4%	0.0%	0.4%	1.2%	9,380	6,837	37,933	-	22,000	-	\$25.70
B	43	2,974,909	8.2%	0.2%	8.5%	9.0%	8,035	15,340	(5,800)	-	-	-	\$26.23
C	4	128,181	6.8%	0.0%	6.8%	8.0%	-i	1,483	2,128	-	-	-	\$15.09
Total	56	3,935,477	6.5%	0.2%	6.7%	7.3%	17,415	23,660	34,261	-	22,000	-	\$25.36
NORTHEAST													
A	6	564,086	10.2%	0.0%	10.2%	12.0%	-	9,858	53,621	-	-	22,000	\$26.22
B	37	2,530,798	5.9%	0.0%	5.9%	6.8%	12,630	22,638	29,692	-	-	-	\$20.01
C	15	907,887	2.2%	0.0%	2.2%	2.0%	0	(2,026)	6,575	-	-	-	\$14.27
Total	58	4,002,771	5.6%	0.0%	5.6%	6.4%	12,630	30,470	89,888	-	-	22,000	\$22.95
NORTHWEST													
A	18	2,003,082	7.2%	1.7%	8.9%	8.3%	66,090	(13,194)	(12,346)	-	-	57,433	\$26.79
B	60	2,246,840	12.6%	0.6%	13.2%	11.4%	20,559	(40,931)	(61,028)	-	-	-	\$21.28
C	17	509,860	8.2%	0.1%	8.3%	8.8%	2,159	2,916	5,792	-	-	-	\$17.45
Total	95	4,759,782	9.9%	1.0%	10.9%	9.8%	88,808	(51,209)	(67,582)	-	-	57,433	\$24.17
PARKER/CASTLE ROCK													
A	5	277,308	10.1%	0.0%	10.1%	8.3%	-	39,085	37,717	48,245	48,245	21,406	\$29.31
B	28	997,832	8.1%	0.3%	8.4%	9.6%	3,950	12,344	3,823	-	-	-	\$27.61
C	1	26,000	0.0%	0.0%	0.0%	0.0%	-	-	-	-	-	-	\$0.00
Total	34	1,301,140	8.4%	0.2%	8.6%	9.2%	3,950	51,429	41,540	48,245	48,245	21,406	\$28.64
SOUTHEAST													
A	159	25,132,816	11.7%	2.2%	13.9%	13.9%	351,052	3,560	(7,923)	-	-	599,094	\$28.03
B	302	18,892,093	13.5%	0.7%	14.3%	13.9%	273,987	(19,970)	(129,887)	53,000	53,000	-	\$23.55
C	33	1,411,041	3.3%	0.0%	3.3%	2.8%	7,803	(7,607)	(15,102)	-	-	-	\$18.37
Total	494	45,435,950	12.2%	1.5%	13.7%	13.6%	632,842	(24,017)	(152,912)	53,000	53,000	599,094	\$26.10
SOUTHWEST													
A	7	1,552,623	10.0%	0.8%	10.8%	10.9%	1,526	1,526	(8,097)	-	32,360	-	\$31.51
B	102	5,088,199	11.3%	0.3%	11.6%	12.0%	44,373	19,965	(11,349)	-	-	-	\$18.04
C	16	589,410	1.4%	0.0%	1.4%	1.5%	1,945	225	(898)	-	-	-	\$16.07
Total	125	7,230,232	10.2%	0.4%	10.6%	10.9%	47,844	21,716	(20,344)	-	32,360	-	\$19.05
WEST													
A	22	2,727,718	4.5%	1.6%	6.2%	7.0%	22,358	23,053	45,934	-	-	-	\$27.30
B	136	8,862,238	8.8%	0.4%	9.3%	8.5%	50,886	(68,031)	114,899	-	-	-	\$22.81
C	26	717,963	1.9%	0.0%	1.9%	1.7%	2,468	(1,424)	249	-	-	-	\$15.56
Total	184	12,307,919	7.5%	0.7%	8.1%	7.8%	75,712	(46,402)	161,082	-	-	-	\$23.07
SUBURBAN TOTAL													
A	318	45,386,157	9.8%	1.5%	11.3%	11.2%	595,362	28,265	616,284	48,245	256,605	1,053,433	\$28.16
B	1,102	65,994,852	10.0%	0.5%	10.5%	10.5%	680,127	62,562	135,903	80,440	133,758	180,995	\$23.31
C	172	6,579,411	3.4%	0.3%	5.0%	4.8%	32,862	(16,465)	(10,202)	-	-	-	\$18.29
Total	1,592	117,960,420	9.6%	0.9%	10.5%	10.5%	1,308,351	74,362	741,985	128,685	390,363	1,234,428	\$25.24
DENVER MARKET GRAND TOTAL													
A	400	72,449,485	10.1%	1.6%	11.7%	11.7%	975,111	268,576	1,064,539	241,081	728,758	2,697,343	\$31.18
B	1,292	81,062,411	10.1%	0.6%	10.7%	10.6%	803,247	17,593	85,691	80,440	133,758	329,920	\$24.52
C	228	9,388,288	3.5%	0.2%	4.7%	4.4%	38,962	(24,317)	(14,395)	-	-	-	\$19.46
Total	1,920	162,900,184	9.7%	1.0%	10.8%	11.4%	1,817,320	261,852	1,135,835	321,521	862,516	3,027,263	\$27.99
QUARTERLY COMPARISON													
Q2 19	1,920	162,900,184	9.7%	1.0%	10.8%	11.4%	1,817,320	261,852	1,135,835	321,521	862,516	3,027,263	\$27.99
Q1 19	1,915	162,606,335	10.5%	0.9%	11.4%	11.2%	2,101,692	893,303	4,010,821	540,995	540,995	3,166,262	\$27.67
Q4 18	1,911	162,220,162	10.0%	1.0%	11.2%	11.2%	2,761,716	997,891	3,117,518	414,666	4,095,383	3,084,857	\$27.45
Q3 18	1,905	161,347,117	10.2%	1.0%	11.2%	11.8%	2,885,259	1,120,706	2,119,627	65,000	3,680,717	2,907,368	\$27.48
Q2 18	1,903	161,207,117	11.0%	0.9%	11.8%	11.7%	3,441,756	998,921	95,099	414,236	3,615,717	4,037,038	\$27.45

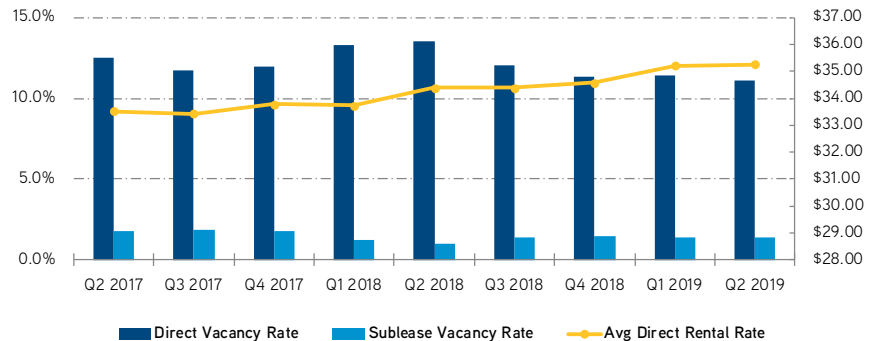
Southeast & Downtown Statistics

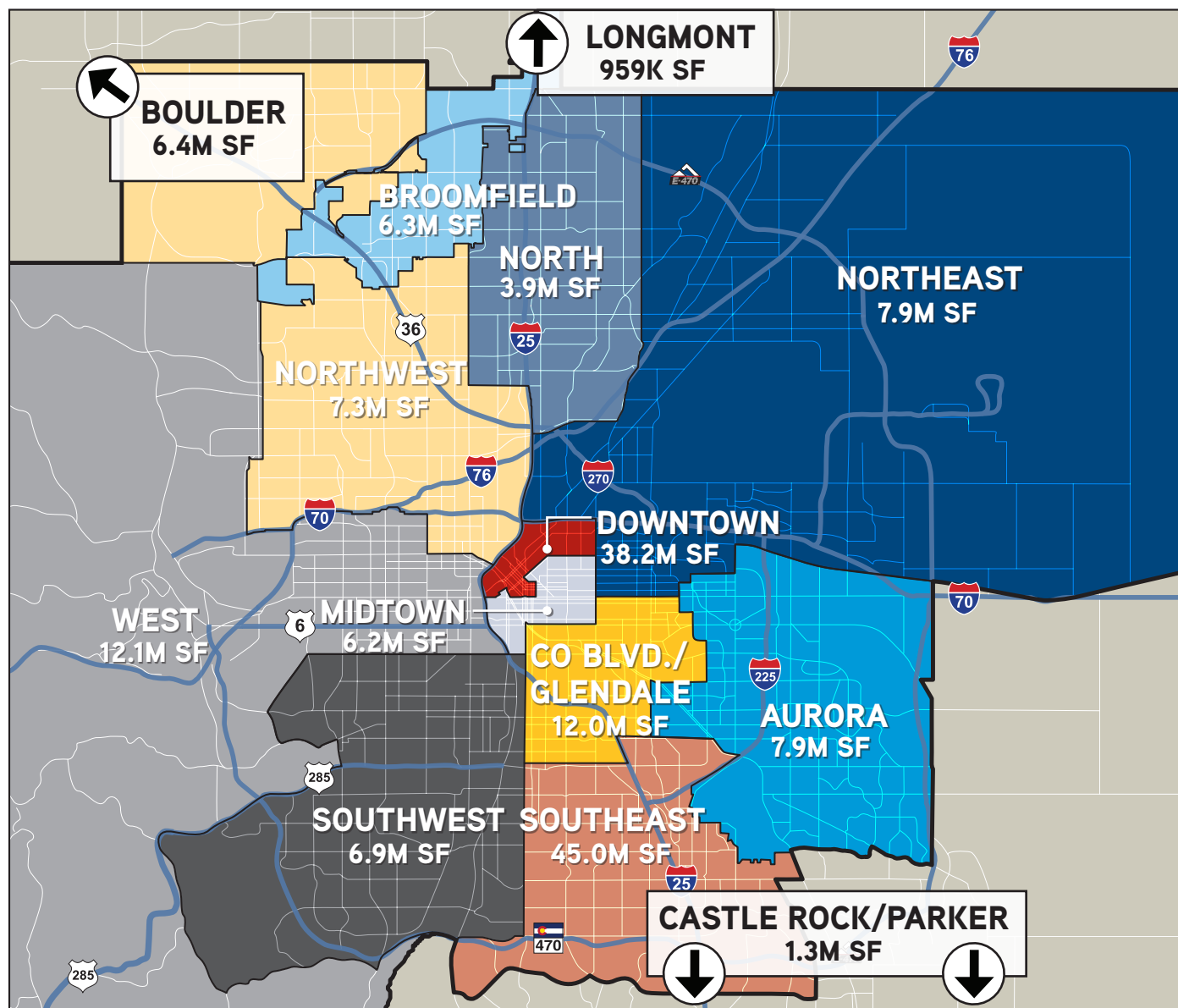
Period/Class	Buildings	Total Inventory SF		Direct Vacant SF	Direct Vacancy Rate	Sublease Vacant SF		Sublease Vacancy Rate	Total Vacant SF	Vacancy Rate Current	Leasing Activity SF	Net Absorption Current Qtr. SF	Deliveries Current Qtr. SF	Average Rental Rate (F\$)
EXISTING PROPERTIES		VACANCY								ACTIVITY	ABSORP.	CONSTR.	RENTS	
DENVER-SOUTHEAST OFFICE MARKET OVERVIEW														
Q2 2019	494	45,435,950	5,551,122	12.2%	683,611	1.5%	6,234,733	13.7%	632,842	(24,017)	53,000	\$26.10		
Q1 2019	493	45,382,950	5,441,080	12.0%	716,664	1.6%	6,157,744	13.6%	590,777	(128,895)	0	\$25.43		
Q4 2018	493	45,382,950	5,308,263	11.7%	720,586	1.6%	6,028,849	13.3%	746,294	(154,112)	185,000	\$25.18		
Q3 2018	492	45,197,950	5,050,551	11.2%	639,186	1.4%	5,689,737	12.6%	652,304	254,636	0	\$25.15		
Q2 2018	492	45,197,950	5,441,821	12.0%	502,552	1.1%	5,944,373	13.2%	951,639	252,157	72,000	\$25.10		
Q1 2018	490	44,801,852	5,288,778	11.8%	511,654	1.1%	5,800,432	12.9%	669,772	165,688	664,746	\$24.84		
Q4 2017	488	44,461,204	5,070,690	11.4%	554,782	1.2%	5,625,472	12.7%	1,034,366	322,458	0	\$24.85		
Q3 2017	488	44,461,204	5,500,100	12.4%	447,830	1.0%	5,947,930	13.4%	1,435,451	125,797	211,675	\$24.99		
Q2 2017	487	44,249,529	5,343,999	12.1%	518,053	1.2%	5,862,052	13.2%	865,971	372,429	581,390	\$24.94		
DENVER-SOUTHEAST OFFICE SUBMARKET BREAKOUT BY CLASS														
A	159	25,132,816	2,947,789	11.7%	548,199	2.2%	3,495,988	13.9%	351,052	3,560	0	\$28.03		
B	302	18,892,093	2,556,806	13.5%	135,412	0.7%	2,692,218	14.3%	273,987	(19,970)	53,000	\$23.55		
C	33	1,411,041	46,527	3.3%	0	0.0%	46,527	3.3%	7,803	(7,607)	0	\$18.37		
Total	494	45,435,950	5,551,122	12.2%	683,611	1.5%	6,234,733	13.7%	632,842	(24,017)	53,000	\$26.10		
DENVER-DOWNTOWN OFFICE SUBMARKET OVERVIEW														
Q2 2019	231	38,797,422	4,314,212	11.1%	537,527	1.4%	4,851,739	12.5%	490,405	210,327	111,836	\$35.25		
Q1 2019	230	38,685,586	4,410,697	11.4%	539,533	1.4%	4,950,230	12.8%	782,471	251,805	279,317	\$35.22		
Q4 2018	229	38,406,269	4,359,822	11.4%	562,896	1.5%	4,922,718	12.8%	974,273	625,137	0	\$34.57		
Q3 2018	228	37,978,050	4,581,437	12.1%	538,199	1.4%	5,119,636	13.5%	1,205,355	393,485	0	\$34.39		
Q2 2018	228	37,978,050	5,142,779	13.5%	370,342	1.0%	5,513,121	14.5%	992,001	367,172	50,000	\$34.38		
Q1 2018	225	37,554,485	4,985,202	13.3%	471,526	1.3%	5,456,728	14.5%	803,570	560,714	1,836,013	\$33.73		
Q4 2017	222	36,565,172	4,376,972	12.0%	651,157	1.8%	5,028,129	13.8%	890,000	(35,406)	0	\$33.79		
Q3 2017	220	36,335,755	4,274,500	11.8%	668,806	1.8%	4,943,306	13.6%	555,205	252,439	0	\$33.43		
Q2 2017	220	36,335,755	4,538,562	12.5%	657,183	1.8%	5,195,745	14.3%	691,063	90,346	53,478	\$33.52		
DENVER-DOWNTOWN OFFICE SUBMARKET BREAKOUT BY CLASS														
A	73	25,886,967	2,863,731	11.1%	424,782	1.6%	3,288,513	12.7%	367,285	224,273	111,836	\$36.84		
B	137	11,591,378	1,394,468	12.0%	112,745	1.0%	1,507,213	13.0%	123,120	(14,086)	0	\$30.79		
C	21	1,319,077	56,013	4.2%	0	0.0%	56,013	4.2%	0	140	0	\$29.09		
Total	231	38,797,422	4,314,212	11.1%	537,527	1.4%	4,851,739	12.5%	490,405	210,327	111,836	\$35.25		

Denver | Southeast Office Market



Denver | Downtown Office Market





SIGNIFICANT RECENT TRANSACTIONS

SALES ACTIVITY

PROPERTY	SUBMARKET	SALE PRICE	SIZE SF	BUYER	SELLER
410 17th St.	CBD	\$127,250,000	433,046	RREF III-P	Ivanhoe Cambridge
1560 N. Broadway Civic Center Plaza	CBD	\$124,690,000	598,592	Rising Capital Partners	Beacon Capital Partners
1700 Broadway	CBD	\$78,000,000	394,174	Beacon Capital Partners	Artis Real Estate Investment Trust
Trinity Place 1801 Broadway	CBD	\$40,200,000	195,753	Novel Coworking	Velocis

LEASING ACTIVITY

PROPERTY	SUBMARKET	BLDG. CLASS	LEASED SF	TYPE	COMPANY
10155 Westmoor Dr. Westmoor Center Building 3	Northwest Denver	A	48,253	New	Ball Corporation
2000 S. Colorado Blvd. Colorado Tower Center 3	Colorado Blvd/Glendale	A	27,228	New	JE Dunn Construction
380 Interlocken Crescent	Broomfield	A	24,503	Renewal	Omni Financial
1755 Blake Street	Downtown	A	24,446	New	Pie Insurance

400 offices in
68 countries on
6 continents

United States: **109**

Canada: **43**

Latin America: **18**

Asia Pacific: **35**

EMEA: **85**

\$3.3

billion in
annual revenue

2.0

billion square feet
under management

17,300

professionals
and staff

MARKET CONTACTS:

Robert Whittelsey
Principal
+1 303 283 4581
robert.whittelsey@colliers.com

Chris Wiley
Principal
+1 303 283 4588
chris.wiley@colliers.com

Jeremy Reeves
Vice President
+1 303 283 1375
jeremy.reeves@colliers.com

Matthew Ball
Vice President
+1 303 309 3526
matt.ball@colliers.com

Abby Pattillo
Assistant Vice President
+1 303 283 4579
abby.pattillo@colliers.com

Zac Blaha
Associate
+1 303 283 4597
zac.blaha@colliers.com

Amelia Vigen
Associate
+1 720 833 4630
amelia.vigen@colliers.com

Bree Quintieri
Associate
+1 720 833 4624
bree.quintieri@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

Colliers International | Downtown Denver
1200 17th Street, Suite 650
Denver, CO | USA

REGIONAL AUTHORS:

Steig Seaward
V.P. Client Services & Analytics
+1 303 283 4561
steig.seaward@colliers.com

Matthew Giordano
Research Analyst
+1 720 833 4638
matthew.giordano@colliers.com

About Colliers International

Colliers International Group Inc. (NASDAQ: CIG; TSX: CIG) is a global leader in commercial real estate services with more than 17,300 professionals operating from 400 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.



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