

A Note Regarding COVID-19

As we publish this report, the global pandemic continues to impact day-to-day life, the economy, and commercial real estate. The extent, length and severity of this pandemic is unknown and continues to evolve at a rapid pace. The scale of the impact and its timing varies between locations. To better understand trends and emerging adjustments, please subscribe to Colliers' [COVID-19 Knowledge Leader](#) page for resources and recent updates.

The Post-Pandemic Office Environment

The pandemic is forcing employers to reconsider many aspects of office life. With many workers wondering when, if ever, they will go back to the office, the most common sentiment seems to be that while most will, the office environment will be forever changed. While the collaborative and social advantages of working within an office cannot be replaced, a recent Collier's survey found that 82% of respondents would like to work from home one day a week or more.

Expected changes to the office environment include a balance between working from home and the office, larger office spaces, enhanced short-term sanitation schedules, and investments that make office spaces more vibrant and collaborative than ever. With the classic view of the office rooted in the optimization of standardized administrative tasks, the modern view prioritizes collaboration, knowledge sharing, innovation, and trust. The pandemic may therefore serve as a catalyst to accelerate the transformation of offices to become work spaces that maximize innovation and collaboration.

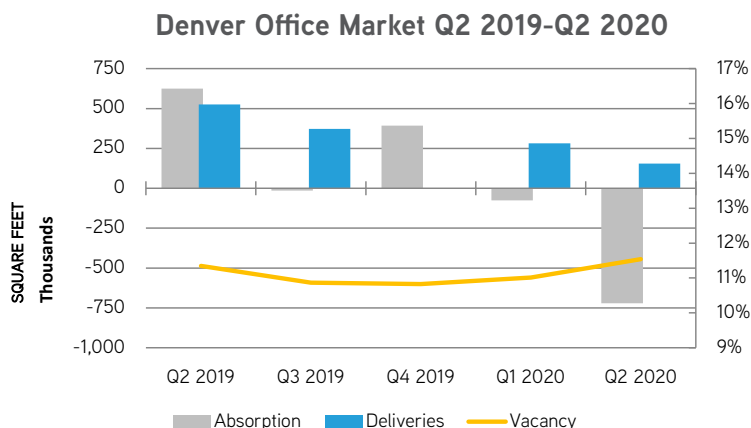
MARKET INDICATORS*

	Q2 2020	Projected Q3 2020
VACANCY	↑	↑
NET ABSORPTION	—	—
DELIVERIES	↑	↑
RENTAL RATE	↑	↓

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

SUMMARY STATISTICS

	Q2 2019	Q2 2020
VACANCY RATE	11.8%	11.5%
ABSORPTION YTD	1,739,335	-796,549
DELIVERIES YTD	1,235,286	320,086
UNDER CONSTRUCTION	3,337,946	3,558,484
ASKING RENTS/SF	\$27.93	\$28.95



Source: CoStar, Colliers Research

Highlighted ECONOMIC TRENDS

UNEMPLOYMENT CLAIMS DECLINE

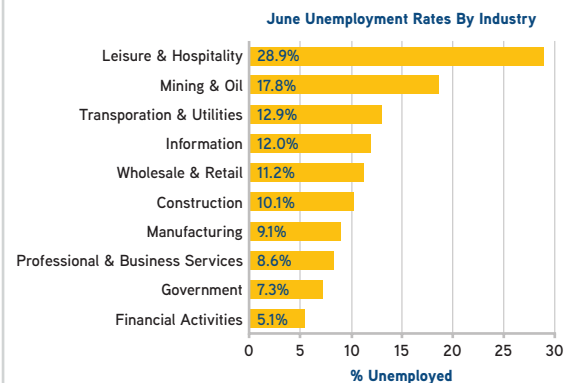
1.48M

According to CNN, the number of initial unemployment claims have dropped for the 12th straight week

HITTING THE ROAD

12.80%

Gasoline sales increased by 12.8% month-over-month, with people driving once again after restrictions were eased



Source: Bureau of Labor Statistics

Higher Quality Core Offices and more Alternative Workspaces

If working from home is managed and structured effectively, a reduction of core office space is a possibility due to less work settings being needed. However, it is expected that organizations will invest more in the quality of offices, by creating less dense environments with more collaboration and community spaces and facilities. This is expected to be the end of the anonymous and homogenous office as there will be a rejuvenated focus on quality space with branding and identity.

INCREASED SUBLEASING

Subleasing availability has skyrocketed and is expected to remain high throughout 2020, primarily driven by the oil and gas sector. With the energy industry facing dual headwinds between the oil price war and pandemic, over 1 million SF has been offered for sublease in Downtown Denver alone. One of the most likely candidates to fill these spaces are tech companies seeking to tap into Denver's highly educated workforce and net-migration.

VACANCY

With uncertainty surrounding the office environment going forward, Metro Denver's vacancy rate increased by 50 basis points to 11.5%. Quarter-to-quarter changes in vacancy rates for Class A properties increased by 20 basis points to 11.7%, whereas Class B properties increased by 70 basis points to 12.2%. Denver's largest submarket, the Southeast, posted a 30 basis point increase to 13.4%. The second largest submarket, Downtown, experienced a 150 basis point increase to 14.2% driven by oil and gas subleasing. Moving forward, vacancy rates are expected to increase until more certainty surrounding the work-from-home economy and pandemic are known.

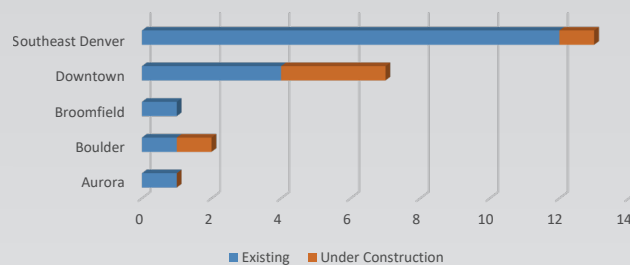
LEASE RATES

Average full-service rental rates remained nearly flat on a quarter-to-quarter basis, increasing by four cents to \$28.95/SF. While suburban Class A lease rates finished the quarter at \$29.92/SF, Downtown class A space averaged \$38.94/SF, representing a 30% premium to be located downtown. The Southeast submarket realized average Class A rates of \$30.39/SF. With the influx of sublease space and uncertainty surrounding the role of the office moving forward, average lease rates are expected to remain flat or slightly decline in the short-term.

ABSORPTION

Q2 produced the second consecutive quarter of negative absorption with 796,549 SF, attributable to over 2 million square feet of total sublease available throughout the metro Denver area. In total, Downtown accounted for negative absorption of 508,081, followed by the Southeast at negative 147,876. Notable leases were signed with Lockheed Martin (166,708 SF) and ViaSat (99,797 SF) in the Southeast submarket, but the flood of sublease space outweighed new signings.

Number of 100,000+ SF Blocks of Space Currently Available



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COVID-19 Impact on Sublease Availabilities



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Rental Rates



*Source: CoStar, Colliers Research

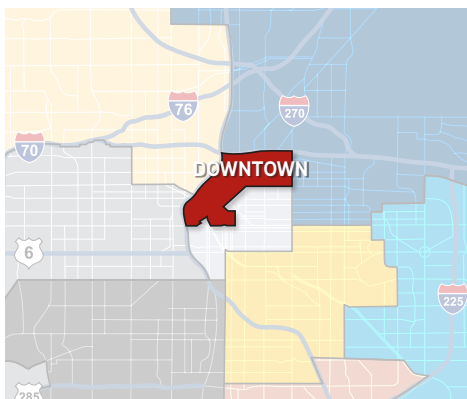
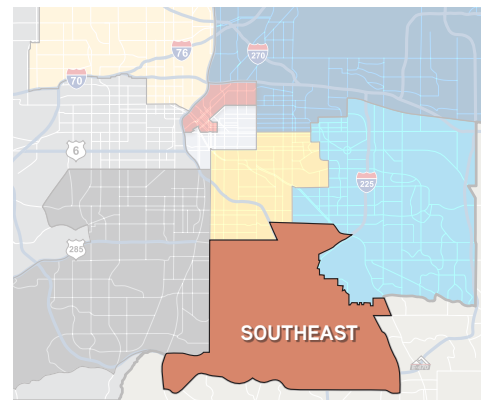
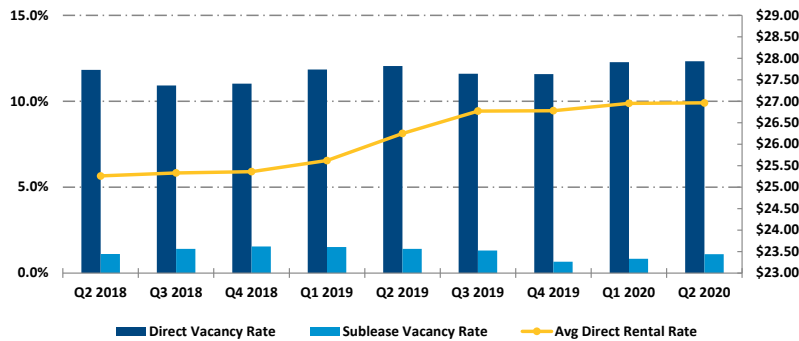
Submarket Statistics

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	78	26,590,365	10.0%	3.4%	13.4%	13.7%	242,498	(312,540)	(178,754)	70,000	70,000	1,506,614	\$38.94
B	137	11,576,894	15.6%	1.3%	16.9%	15.3%	23,288	(192,029)	(276,340)	-	-	60,000	\$30.60
C	20	1,127,386	4.0%	0.0%	4.0%	3.7%	-	(3,512)	(3,512)	-	-	-	\$28.39
Total	235	39,294,645	11.5%	2.7%	14.2%	12.7%	265,786	(508,081)	(458,606)	70,000	70,000	1,566,614	\$36.45
MIDTOWN													
SOUTH MIDTOWN/CAPITOL HILL													
A	12	1,463,313	8.1%	1.2%	9.3%	5.9%	11,402	(50,558)	(66,405)	-	-	145,972	\$32.85
B	52	3,348,514	8.9%	0.0%	8.9%	9.0%	2,592	3,499	47,095	-	-	-	\$25.38
C	35	1,504,913	3.3%	1.8%	5.1%	4.6%	0	(7,117)	(34,273)	-	-	-	\$26.30
Total	99	6,316,740	7.4%	0.7%	8.1%	7.2%	13,994	(54,176)	(53,583)	-	-	145,972	\$28.88
SUBURBAN													
AURORA													
A	12	1,531,371	9.5%	0.0%	9.5%	9.5%	-	0	0	-	-	-	\$23.16
B	79	5,597,942	8.7%	0.1%	8.8%	8.4%	39,346	(18,540)	22,334	-	-	-	\$21.05
C	20	765,169	4.2%	0.0%	4.2%	2.1%	635	(16,558)	(16,702)	-	-	-	\$12.56
Total	111	7,894,482	8.4%	0.1%	8.5%	8.0%	39,981	(35,098)	5,632	-	-	-	\$21.21
BOULDER CITY/COUNTY													
A	28	2,497,356	4.3%	1.4%	5.6%	5.9%	8,174	7,029	206,274	-	120,000	216,334	\$36.67
B	169	8,604,087	7.1%	0.6%	7.8%	8.4%	34,111	59,606	41,244	-	-	148,500	\$24.70
C	12	545,240	1.2%	3.1%	4.3%	1.2%	29,301	(17,026)	(17,026)	-	-	-	\$24.64
Total	209	11,646,683	6.2%	0.9%	7.1%	7.6%	71,586	49,609	230,492	-	120,000	364,834	\$26.73
BROOMFIELD													
A	26	3,658,185	10.6%	0.0%	10.6%	12.1%	9,618	56,018	28,590	-	-	-	\$28.11
B	34	2,953,000	7.6%	0.6%	8.2%	8.9%	0	21,775	3,459	-	-	-	\$25.48
Total	60	6,611,185	9.3%	0.3%	9.5%	10.7%	9,618	77,793	32,049	-	-	-	\$27.26
COLORADO BOULEVARD/GLENDALE													
A	31	4,888,670	11.5%	0.3%	11.8%	12.0%	40,371	7,917	(20,111)	-	-	327,065	\$31.19
B	92	6,302,625	11.1%	0.7%	11.9%	10.1%	60,715	(51,134)	(47,067)	64,680	64,680	-	\$27.78
C	25	995,951	9.7%	0.9%	10.5%	9.5%	0	(10,132)	(20,203)	-	-	-	\$24.15
Total	148	12,187,246	11.2%	0.6%	11.7%	10.8%	101,086	(53,349)	(87,381)	64,680	64,680	327,065	\$29.07
LONGMONT													
A	1	104,805	62.8%	0.0%	62.8%	62.8%	0	0	(950)	-	-	-	\$25.52
B	20	715,173	3.4%	0.0%	3.4%	3.1%	612	(2,374)	(14,813)	-	-	-	\$22.94
C	5	159,558	0.0%	0.0%	0.0%	0.0%	0	0	2,007	-	-	-	\$18.30
Total	26	979,536	9.2%	0.0%	9.2%	9.0%	612	(2,374)	(13,756)	-	-	-	\$24.84
NORTH													
A	9	832,387	2.0%	0.0%	2.0%	1.8%	0	(1,455)	345	-	-	-	\$25.48
B	45	3,041,800	10.6%	2.4%	12.9%	13.3%	18,637	27,209	(24,008)	20,000	20,000	-	\$24.20
C	4	128,181	1.1%	0.0%	1.1%	1.8%	1,463	866	3,150	-	-	-	\$14.00
Total	58	4,002,368	8.5%	1.8%	10.3%	10.5%	20,100	26,620	(20,513)	20,000	20,000	-	\$24.24
NORTHEAST													
A	7	583,612	7.7%	0.0%	7.7%	7.7%	0	0	(4,132)	-	-	-	\$25.27
B	36	2,513,970	7.1%	0.1%	7.2%	5.5%	4,736	(43,371)	(46,018)	-	-	-	\$22.02
C	15	935,719	2.5%	0.2%	2.7%	3.6%	2,500	8,545	3,431	-	-	-	\$16.00
Total	58	4,033,301	6.1%	0.1%	6.2%	5.4%	7,236	(34,826)	(46,719)	-	-	-	\$22.20
NORTHWEST													
A	18	1,999,428	11.2%	1.0%	12.2%	16.4%	2,146	83,620	112,951	-	-	243,433	\$28.56
B	60	2,440,350	10.9%	0.4%	11.3%	10.9%	14,639	(10,509)	21,746	-	-	-	\$20.38
C	18	515,579	3.1%	0.0%	3.1%	2.0%	1,494	(6,100)	17,814	-	-	-	\$16.02
Total	96	4,955,357	10.2%	0.6%	10.8%	12.2%	18,279	67,011	152,511	-	-	243,433	\$25.43
PARKER/CASTLE ROCK													
A	7	408,714	10.6%	0.0%	10.6%	10.7%	-	299	6,284	-	21,406	30,000	\$29.98
B	28	1,003,276	5.6%	0.4%	6.0%	6.1%	7,877	113	(3,506)	-	-	-	\$27.65
C	1	26,000	3.0%	0.0%	3.0%	0.0%	0	(767)	433	-	-	-	\$20.00
Total	36	1,437,990	7.0%	0.3%	7.3%	7.3%	7,877	(355)	3,211	-	21,406	30,000	\$28.91
SOUTHEAST													
A	163	25,424,910	10.7%	1.5%	12.2%	12.4%	218,190	75,852	40,996	-	-	880,566	\$30.09
B	305	19,105,427	15.0%	0.7%	15.7%	14.7%	142,586	(185,792)	(528,698)	-	24,000	-	\$23.45
C	32	1,368,587	5.6%	0.0%	5.6%	2.9%	1,267	(37,936)	(38,737)	-	-	-	\$18.76
Total	500	45,898,924	12.3%	1.1%	13.4%	13.1%	362,043	(147,876)	(526,439)	-	24,000	880,566	\$26.96
SOUTHWEST													
A	7	1,552,623	4.9%	0.8%	5.7%	5.7%	0	0	(8,082)	-	0	-	\$30.09
B	103	5,106,590	12.0%	0.2%	12.2%	11.9%	33,614	(16,636)	(33,846)	-	0	-	\$18.08
C	18	670,509	1.9%	0.0%	1.9%	1.4%	3,452	(3,496)	1,113	-	0	-	\$14.46
Total	128	7,329,722	9.6%	0.3%	9.9%	9.6%	37,066	(20,132)	(40,815)	-	0	-	\$19.58
WEST													
A	21	2,583,951	3.1%	2.0%	5.1%	5.5%	9,666	11,722	14,410	-	-	-	\$28.51
B	134	8,810,628	10.4%	0.3%	10.7%	9.7%	55,888	(90,718)	14,870	-	-	-	\$24.06
C	26	773,116	1.6%	0.0%	1.6%	0.7%	2,438	(6,424)	(1,912)	-	-	-	\$15.96
Total	181	12,167,695	8.3%	0.6%	8.9%	8.2%	67,992	(85,420)	27,368	-	-	-	\$24.44
SUBURBAN TOTAL													
A	330	46,066,012	9.7%	1.1%	10.8%	11.3%	288,165	241,002	376,575	-	141,406	1,697,398	\$29.92
B	1,105	66,194,868	11.0%	0.6%	11.5%	11.0%	412,761	(310,371)	(594,303)	84,680	108,680	148,500	\$23.56
C	176	6,883,609	4.1%	0.4%	4.5%	3.2%	42,550	(89,028)	(66,632)	-	-	-	\$23.21
Total	1,611	119,144,489	10.1%	0.8%	10.9%	10.7%	743,476	(158,397)	(284,360)	84,680	250,086	1,845,898	\$26.26
DENVER MARKET GRAND TOTAL													
A	420	74,119,690	9.8%	1.9%	11.7%	11.5%	542,065	(122,096)	131,416	70,000	211,406	3,349,984	\$33.25
B	1,294	81,120,276	11.6%	0.6%	12.2%	11.5%	438,641	(498,901)	(823,548)	84,680	108,680	208,500	\$24.62
C	231	9,515,908	3.9%	0.6%	4.5%	3.5%	42,550	(99,657)	(104,417)	-	-	-	\$22.97
Total	1,945	164,755,874	10.3%	1.2%	11.5%	11.0%	1,023,256	(720,654)	(796,549)	154,680	320,086	3,558,484	\$28.95
QUARTERLY COMPARISON													
Q2 2020	1,945	164,755,874	10.3%	1.2%	11.5%	11.0%	1,023,256	(720,654)	(796,549)	154,680	320,086	3,558,484	\$28.95
Q1 2020	1,942	164,601,194	10.1%	0.9%	11.0%	10.8%	1,979,144	(75,925)	(75,925)	282,406	282,406	3,546,431	\$28.91
Q4 2019	1,939	164,340,110	10.0%	0.8%	10.8%	10.9%	2,578,879	392,849	1,867,238	-	1,607,260	3,578,435	\$28.57
Q3 2019	1,939	164,212,206	10.0%	0.9%	10.9%	11.8%	3,020,637	(14,433)	1,488,822	371,974	1,607,260	3,357,616	\$28.15
Q2 2019	1,935	163,987,232	10.9%	0.9%	11.8%	11.1%	2,576,109	902,805	1,739,335	247,185	1,235,286	3,337,946	\$27.93

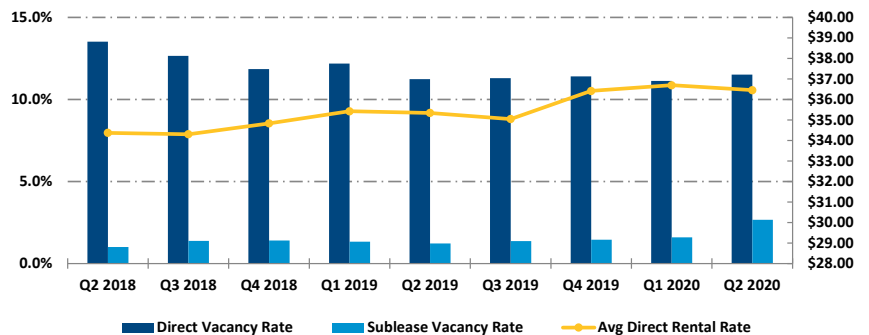
Southeast & Downtown Statistics

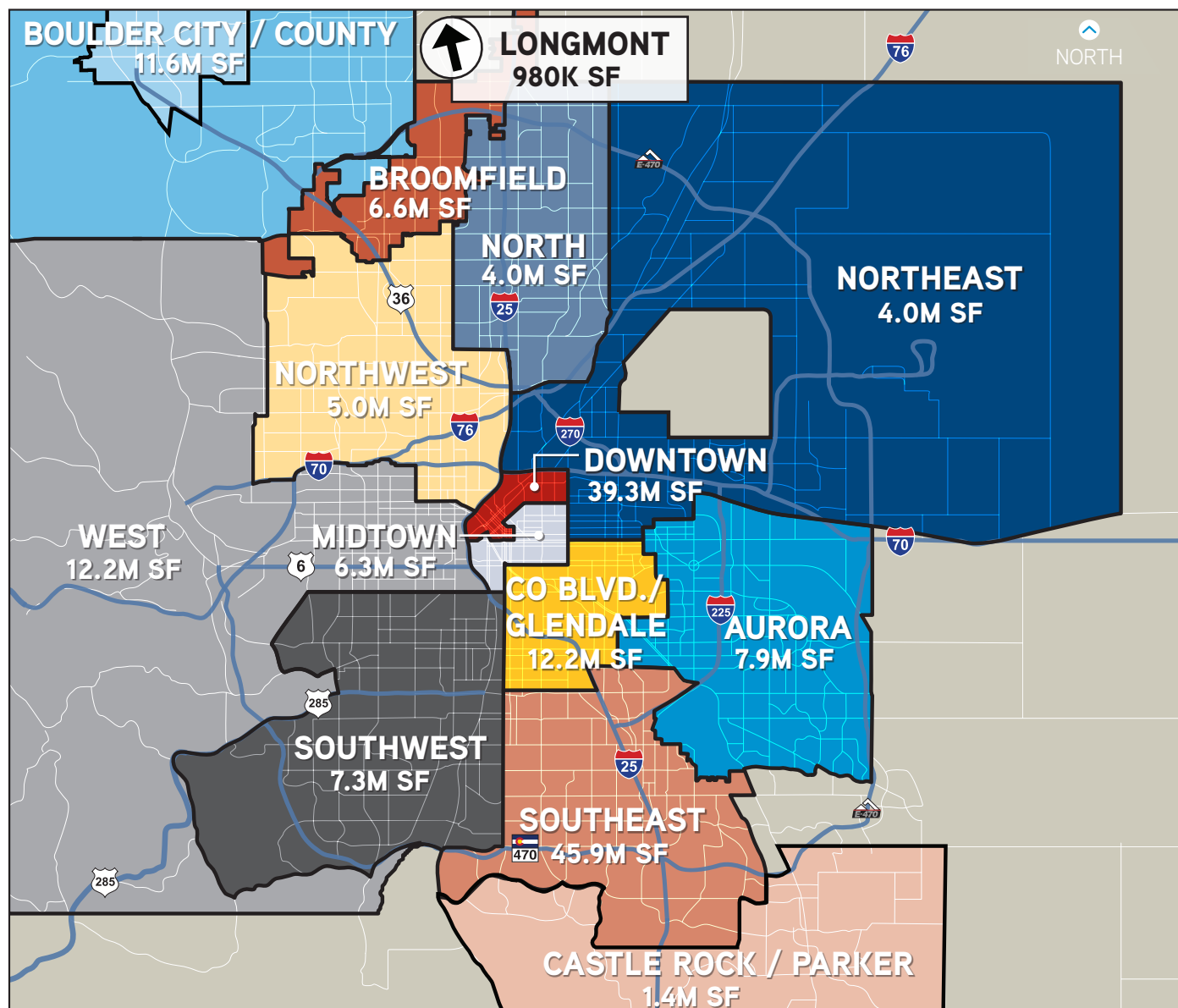
Period/Class	Buildings	Total Inventory SF	Direct Vacant SF	Direct Vacancy Rate	Sublease Vacant SF	Sublease Vacancy Rate	Total Vacant SF	Vacancy Rate Current	Leasing Activity SF	Net Absorption Current Qtr. SF	Deliveries Current Qtr. SF	Average Rental Rate (FS)
EXISTING PROPERTIES		VACANCY							ACTIVITY	ABSORP.	CONSTR.	RENTS
DENVER-SOUTHEAST OFFICE MARKET OVERVIEW												
Q2 2020	500	45,898,924	5,657,303	12.3%	505,029	1.1%	6,162,332	13.4%	362,043	(147,876)	0	\$26.96
Q1 2020	500	45,898,924	5,631,808	12.3%	382,648	0.8%	6,014,456	13.1%	820,001	(378,563)	24,000	\$26.95
Q4 2019	499	45,874,924	5,308,989	11.6%	302,904	0.7%	5,611,893	12.2%	659,104	310,554	0	\$26.78
Q3 2019	499	45,874,924	5,319,253	11.6%	603,194	1.3%	5,922,447	12.9%	930,099	272,744	30,000	\$26.77
Q2 2019	498	45,844,924	5,522,099	12.0%	643,092	1.4%	6,165,191	13.4%	848,600	5,883	53,000	\$26.25
Q1 2019	497	45,791,924	5,423,562	11.8%	694,512	1.5%	6,118,074	13.4%	950,217	(282,877)	80,000	\$25.62
Q4 2018	496	45,711,924	5,039,341	11.0%	706,856	1.5%	5,746,197	12.6%	747,026	54,121	0	\$25.36
Q3 2018	495	45,519,573	4,967,955	10.9%	639,992	1.4%	5,607,947	12.3%	654,050	281,700	0	\$25.33
Q2 2018	495	45,519,573	5,382,783	11.8%	506,864	1.1%	5,889,647	12.9%	922,871	332,561	122,000	\$25.26
DENVER-SOUTHEAST OFFICE SUBMARKET BREAKOUT BY CLASS												
A	163	25,424,910	2,710,108	10.7%	379,318	1.5%	3,089,426	12.2%	218,190	75,852	0	\$30.09
B	305	19,105,427	2,869,934	15.0%	125,711	0.7%	2,995,645	15.7%	142,586	(185,792)	0	\$23.45
C	32	1,368,587	77,261	5.6%	0	0.0%	77,261	5.6%	1,267	(37,936)	0	\$18.76
Total	500	45,898,924	5,657,303	12.3%	505,029	1.1%	6,162,332	13.4%	362,043	(147,876)	0	\$26.96
DENVER-DOWNTOWN OFFICE SUBMARKET OVERVIEW												
Q2 2020	235	39,294,645	4,523,877	11.5%	1,044,692	2.7%	5,568,569	14.2%	265,786	(508,081)	70,000	\$36.45
Q1 2020	234	39,224,645	4,365,197	11.1%	625,291	1.6%	4,990,488	12.7%	334,549	49,457	0	\$36.69
Q4 2019	234	39,224,645	4,471,501	11.4%	568,462	1.4%	5,039,963	12.8%	712,039	62,755	0	\$36.41
Q3 2019	233	39,067,730	4,413,295	11.3%	532,508	1.4%	4,945,803	12.7%	789,852	(3,785)	89,000	\$35.04
Q2 2019	232	38,978,730	4,377,208	11.2%	475,810	1.2%	4,853,018	12.5%	686,183	413,009	0	\$35.34
Q1 2019	232	38,978,730	4,750,404	12.2%	515,623	1.3%	5,266,027	13.5%	853,668	226,339	537,338	\$35.42
Q4 2018	230	38,598,307	4,572,957	11.8%	538,986	1.4%	5,111,943	13.2%	1,188,202	669,116	0	\$34.83
Q3 2018	229	38,170,088	4,829,208	12.7%	523,632	1.4%	5,352,840	14.0%	1,203,474	189,471	0	\$34.30
Q2 2018	229	38,170,088	5,161,213	13.5%	381,098	1.0%	5,542,311	14.5%	994,043	352,014	50,000	\$34.37
DENVER-DOWNTOWN OFFICE SUBMARKET BREAKOUT BY CLASS												
A	78	26,590,365	2,671,044	10.0%	893,990	3.4%	3,565,034	13.4%	242,498	(312,540)	70,000	\$38.94
B	137	11,576,894	1,807,308	15.6%	150,702	1.3%	1,958,010	16.9%	23,288	(192,029)	0	\$30.60
C	20	1,127,386	45,525	4.0%	0	0.0%	45,525	4.0%	0	(3,512)	0	\$28.39
Total	235	39,294,645	4,523,877	11.5%	1,044,692	2.7%	5,568,569	14.2%	265,786	(508,081)	70,000	\$36.45

Denver | Southeast Office Market



Denver | Downtown Office Market





SIGNIFICANT RECENT TRANSACTIONS

SALES ACTIVITY

PROPERTY	SUBMARKET	SALE PRICE	SIZE SF	\$/SF	BUYER	SELLER
3200 Cherry Creek South Dr. The Citadel	Colorado Blvd/Glendale	\$33,000,000	130,652	\$252.58	Matador Equity Partners	Amstar
9094 E. Mineral Dr. Southeast Pediatric Medical Center	Southeast	\$13,300,000	40,243	\$330.49	Thompson Realty Group	Southeast Pediatric Medical Center
3570 E. 12th Ave. Monroe Professional Building	Midtown	\$3,825,000	13,200	\$289.77	RGBK Holdings	Lauren & Scott Landen

LEASING ACTIVITY

PROPERTY	SUBMARKET	BLDG. CLASS	LEASED SF	TYPE	COMPANY
10475 Park Meadows Dr. ParkRidge One	Southeast	A	166,708	New	Lockheed Martin
349 Inverness Dr. S. Parkside Office Plaza at Inverness	Southeast	A	99,797	Renewal	ViaSat
1700 Broadway	Downtown	A	45,778	Renewal	Colorado Secretary of State
7800 E. Orchard Rd. Orchard Falls	Southeast	A	30,795	Renewal	98.5 KYGO

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

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About Colliers International

Colliers International Group Inc. (NASDAQ: CIGI; 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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Accelerating success.