

# MARKETBEAT

## Office Snapshot Q3 2015 Denver, Colorado



### DENVER OFFICE

#### Economic Indicators

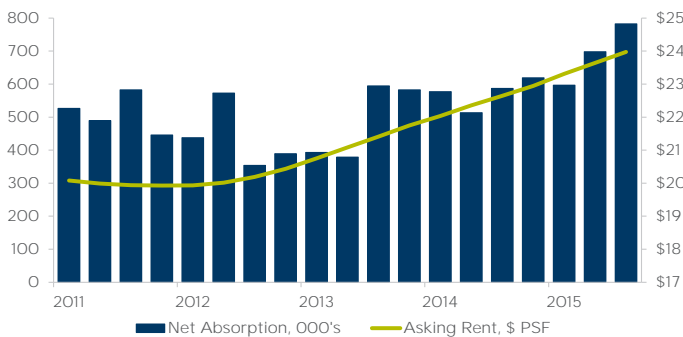
	Q3 14	Q3 15	12-Month Forecast
Denver Employment	1.44	1.45	▲
Denver Unemployment	4.0%	3.6%	▼
U.S. Unemployment	6.1%	5.1%	▼

#### Market Indicators

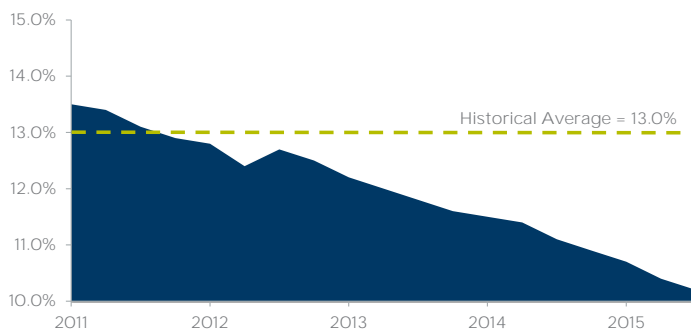
	Q3 14	Q3 15	12-Month Forecast
Overall Vacancy	11.1%	10.2%	▼
Net Absorption	959,791	1,298,507	▲
Under Construction	2,308,431	2,981,378*	■
Average Asking Rent (FS)	\$23.09	\$24.41	▲

\*Includes single and multi-tenant buildings

Net Absorption/Asking Rent  
4Q TRAILING AVERAGE



Overall Vacancy



### Office Market Overview

The Denver office market ended Q3 2015 with a vacancy rate of 10.2%. This is slightly down from the Q2 rate of 10.4% and reflects a continued decline from the 11.1% rate that was in place exactly one year ago. Vacancy has declined in the Denver marketplace for ten consecutive quarters and the market recorded 1,298,000 square feet (SF) of net absorption in Q3, bringing the year-to-date total to 2,492,000 SF.

Fifteen office buildings have delivered in the Metro Denver area year-to-date, of which eight were multi-tenant office buildings. Upon delivery, 73.7% of this office space was preleased. Currently, 2,756,000 SF of multi-tenant office space is under construction in ten buildings in Denver Metro with roughly 35.0% of the office space preleased. We expect that the buildings will deliver and open their doors at 50%-60% leased on average. Denver is showing no signs of being over built, tenants are seeking new office space and are demonstrating that they are willing to pay a higher lease rate in order to obtain the most desired space.

Today, Denver boasts more than 620 startups that employ over 4,300 people. Denver Startup Week has grown by over 6,500 attendees since 2012. Denver's startup growth rate is expected to be four times higher over the next four years than the national average. Startups and the tech industry see Denver as an excellent place to locate and grow due to the young, active and highly educated workforce that Denver attracts. When compared to other tech hubs around the country, such as San Francisco, Boston, and New York, Denver remains a very affordable office market.

ZenPayroll announced that it is planning on hiring 1,000+ people over the next three years and chose to expand in Denver in large part due to the active lifestyle, creative culture, strong economic climate, and the abundance of educated applicants. WeWork, a co-working company, has locations in sixteen cities globally and has become a popular work space for startups and millennials. WeWork has leased three floors (71,000 SF) of the Triangle Building, 50,000 SF in the Lab Building, and another potential 30,000 SF at 16M.

Reduced energy prices will continue to see oil and gas companies cut back on office space and employees. To date

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we have tracked a total of 670,000 SF of oil and gas sublease space on the market. However, due to Denver's growing and diverse economy, particularly the city's expanding tech industry, office absorption should continue to be positive and vacancy rates will continue their decreasing trend.

### THE DENVER OFFICE MARKET ENDED Q3 2015 WITH A VACANCY RATE OF 10.2%.

The fast growing River North neighborhood of Denver is garnering significant attention from tenants and owners. Located just northeast of downtown, the office market continues to grow in this location and the youthful neighborhood attracts vibrant, creative companies and residents alike.

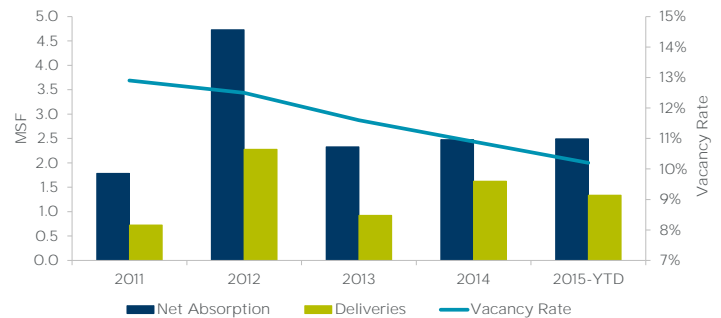
Boulder and the US-36 corridor are continuing to experience a vibrant office market and are particularly enticing to tech companies. Google, Sphero, Twitter, and SolidFire, who leased 60,000 SF at 1600 Pearl Street, the former Boulder Daily Camera location, have all increased their presence in Boulder. The Google Campus in Boulder will eventually house 1,500 employees. The US-36 corridor is seeing benefits of Boulder's growth and very tight market with very few spaces over 70,000 SF remain remaining. Average lease rates for all of Boulder are at \$26.26 per square foot (PSF) at the end of Q3 2015.

The average asking rent rate for office space in Metro Denver is currently \$24.41 PSF on an annual full service basis. This is up 1.2% from the second quarter and up 5.5% from this time last year. Average rental rates in Denver have now increased for 19 consecutive quarters. The CBD remains the highest with an average gross asking rate of \$33.37 PSF, 6.2% higher from average rates this time last year.

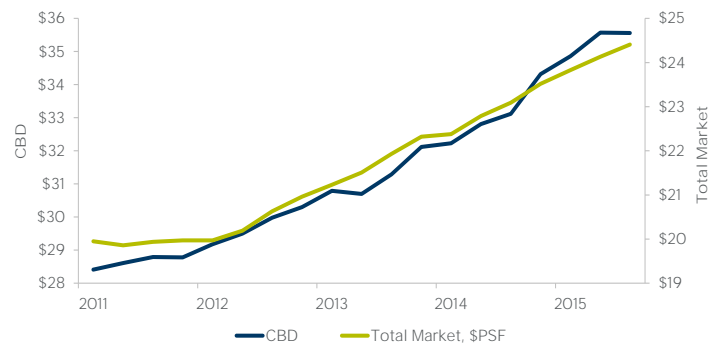
### Outlook

- Large tenant activity will continue to be primarily concentrated in the CBD.
- Absorption is expected to level off in Q4 2015.
- Shadow space in the oil and gas sector will continue to cut into the net absorption totals.
- New CBD construction starts will be limited in 2016.

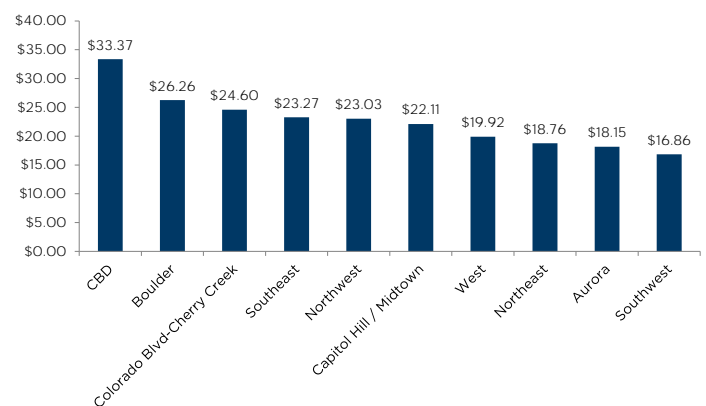
### Net Absorption, Deliveries & Vacancy



### Class A Asking Rent (FSG)



### Submarket Asking Rents (FSG)



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	TOTAL BLDGS	INVENTORY	SUBLET VACANT	DIRECT VACANT	VACANCY RATE	CURRENT ABSORPTION	YTD NET ABSORPTION	UNDER CONSTRUCTION	AVERAGE ASKING RENT (ALL CLASSES)	AVERAGE ASKING RENT (CLASS A)
<b>SUBMARKET</b>										
Aurora	298	9,020,040	3,300	939,111	10.4%	55,001	155,280	-	\$18.15	\$24.61
Boulder	666	11,514,597	124,234	397,610	4.5%	32,784	(52,326)	250,417	\$26.26	\$33.18
Capitol Hill / Midtown	675	8,840,035	16,934	280,128	3.4%	16,109	11,771	75,102	\$22.11	\$22.93
CBD	360	36,257,635	445,879	3,625,672	11.2%	269,185	477,838	1,427,067	\$33.37	\$35.56
Colorado Blvd / Cherry Creek	467	13,346,672	8,303	1,323,274	10.0%	162,721	262,477	259,982	\$24.60	\$29.89
Northeast	388	8,719,427	14,039	691,644	8.1%	294,544	409,712	24,180	\$18.76	\$22.08
Northwest	699	15,741,469	97,819	1,490,294	10.1%	55,205	168,985	140,640	\$23.03	\$26.74
Southeast	847	45,941,302	301,075	4,737,907	11.0%	260,511	736,471	644,990	\$23.27	\$26.07
Southwest	545	9,736,928	20,692	1,234,481	12.9%	138,524	109,238	-	\$16.86	\$26.44
West	715	13,727,529	22,934	1,770,637	13.1%	13,923	212,979	159,000	\$19.92	\$26.54
<b>CLASSES</b>										
Class A	313	61,405,672	655,021	6,198,625	11.2%	524,274	976,553	2,669,997	\$29.89	
Class B	2,903	90,942,861	380,757	9,188,748	10.5%	667,650	1,456,489	311,378	\$21.23	
Class C	2,444	20,497,101	19,431	1,103,385	5.5%	106,583	59,383	-	\$16.47	
<b>TOTAL</b>	<b>5,660</b>	<b>172,845,634</b>	<b>1,055,209</b>	<b>16,490,758</b>	<b>10.2%</b>	<b>1,298,507</b>	<b>2,492,425</b>	<b>2,981,378</b>	<b>\$24.41</b>	

Office asking rents converted to Full Service

### Significant Construction Activity 3Q 2015

PROJECT	SQUARE FEET	DEVELOPER	COMPLETION DATE	SUBMARKET
1144 15th Street	662,000	Hines	Q1 2018	CBD
1401 Lawrence Street	311,000	First Gulf Corporation	Q2 2016	CBD
7001 E Belleview Avenue	318,000	Prime West Companies	Q4 2016	Southeast
1800 Wazee Street	235,000	McWhinney Real Estate Services	Q1 2017	LoDo
2000 S Colorado Boulevard	232,000	ABS and Lincoln Property Company	Q4 2016	Colorado Blvd / Cherry Creek

### Key Lease Transactions 3Q 2015

PROPERTY	SQUARE FEET	TENANT	TRANSACTION TYPE	SUBMARKET
1801 California Street	73,000	The U.S. General Services Administration	New Lease	CBD
1550 Wewatta Street	71,000	WeWork	New Lease	CBD
10002 Park Meadows Drive	70,000	Allstate Insurance Company	New Lease	Southeast
6380 S Fiddlers Green Circle	70,000	Charter Communications	New Lease	Southeast
2420 17th Street	50,000	WeWork	New Lease	CBD

### Key Sale Transactions 3Q 2015

PROPERTY	SQUARE FEET	SELLER/BUYER	PRICE	SUBMARKET
1630 Market Street	120,000	Jonathan Rose Company / Urban Renaissance Group	\$29,675,000	LoDo
4100 E Mississippi Avenue	215,000	Mountain Towers Properties, LLC / DV Colorado, LLC	\$25,250,000	Southeast
501 S Cherry Street	156,000	Crown West Realty, LLC / New One Cherry, LP	\$22,550,000	Southeast
2300 15th Street	49,000	Garvin Partners Ltd / Goff Capital Partners	\$21,375,000	CBD
5500 S Quebec Street	215,000	Wells Fargo Bank / 550 South Quebec LLC	\$16,150,000	Southeast

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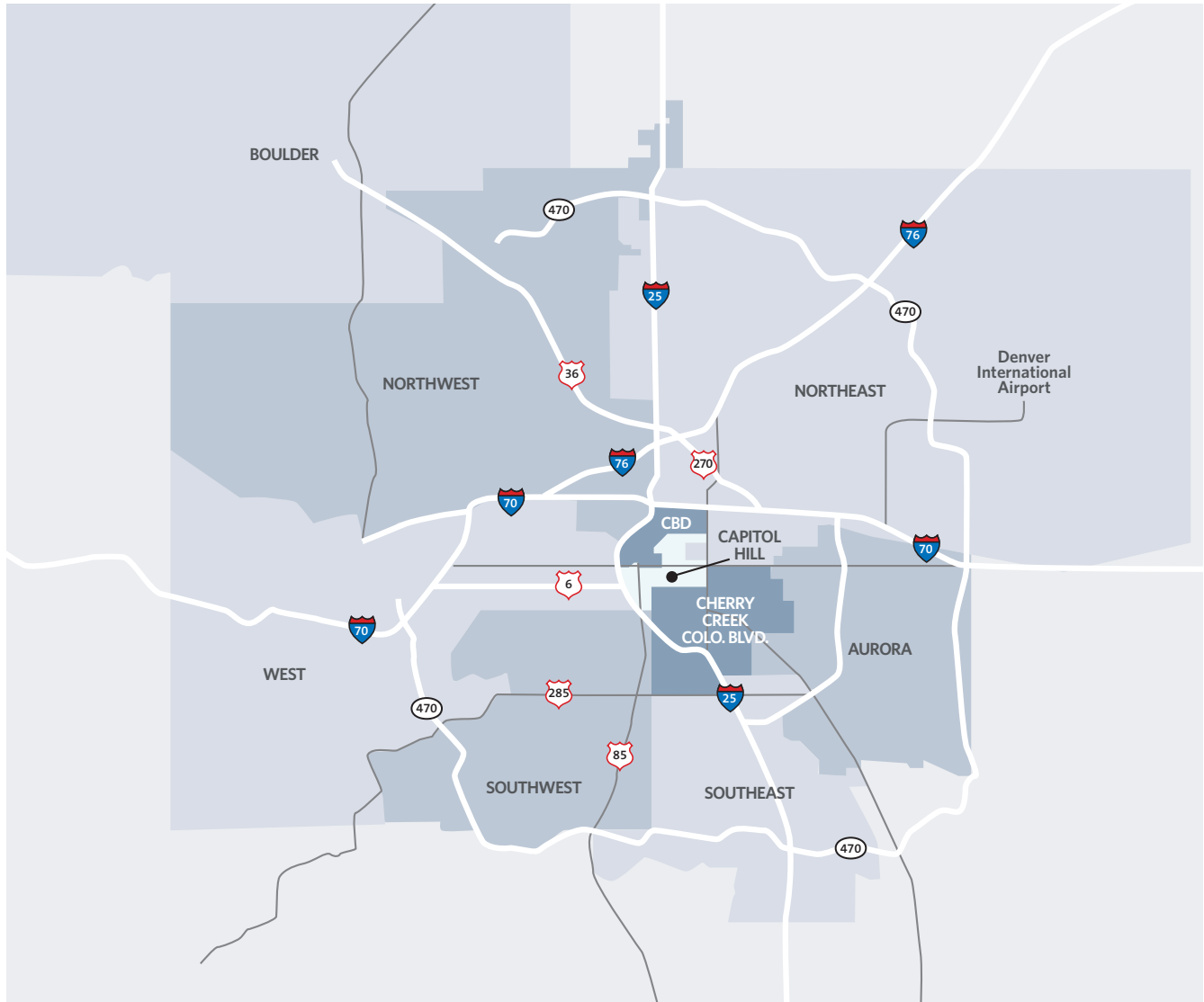
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#### OFFICE SUBMARKETS

##### DENVER, COLORADO



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#### Andrea Jones

Vice President  
Marketing & Research  
1515 Arapahoe Street  
Suite 1200  
Tel: +1 303 312 4256  
Fax: +1 303 534 8270  
[andrea.jones@cushwake.com](mailto:andrea.jones@cushwake.com)