

MARKETBEAT

Office Snapshot Q4 2015

Denver, Colorado: Central Business District



Economic Overview

At the close of the fourth quarter of 2015, the indicators point to a still strong Denver economy. Unemployment continues to fall, down to 3.1%, with jobs being created across many sectors. A diverse and vibrant economy has helped Denver weather falling oil prices that have affected many other areas of the county. In fact, according to a 2015 ranking by Forbes, Denver ranks number one in the country for best places for businesses and careers. With a high median household income, a relatively low cost of living compared to other major metro areas and a desirable location at the foot of the Rocky Mountains, Denver is an attractive place for people and companies to relocate.

Vacancy and Rental Rates

The primary factor in the success of the downtown office market has been diversity. A market that was once dominated by the oil and gas industry has now become a popular destination for multiple industries including healthcare, collaborative workspace, and tech companies. The delivery of 600,000 SF in three new buildings and the high demand of tenants wanting to locate in the CBD, have kept vacancy rates steady at 10.8% at the end of 2015. The Central Business District (CBD) average direct asking rent closed out 2015 at \$32.91/SF.

Leasing Activity

Leasing activity in the CBD finished incredibly strong in 2015, totaling 2,365,000 square feet (SF). Class A space accounted for 83.5% of leasing activity over the same period of time. Noteworthy transactions included DaVita Healthcare's 265,000 SF lease at 16 Chestnut, the third largest in the CBD since 2007, and Colorado Department of Regulatory Agencies leasing 145,000 SF at 1560 Broadway. The CBD is experiencing a large amount of adaptive reuse and creative space with roughly 500,000 SF currently in the market. That number is expected to rise as the office market expands into the transitional yet trendy, River North (RiNo) area. The oil and natural gas (ONG) market, however, continues to struggle with low prices. We have tracked 700,000 SF of ONG sublease space year to date (YTD) in the Denver market.

Construction

There is currently 1,296,000 SF of new multi-tenant office space under construction in five buildings in the CBD. The amount of new construction continuing to enter the market is beneficial for tenants and owner's alike, adding prominent space and keeping rental rates competitive. We expect that buildings will deliver with major tenants in place due to

STATS ON THE GO

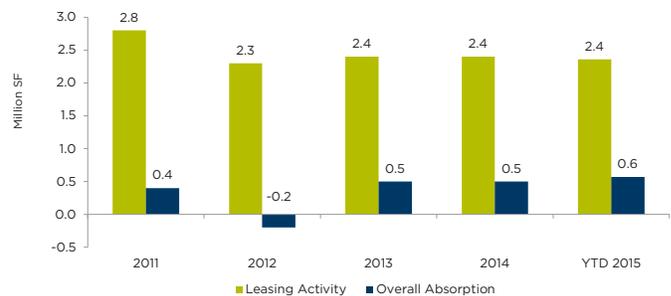
Economic Indicators

	Q4 14	Q4 15	Y-O-Y Change	12-Month Forecast
Direct Vacancy	10.3%	10.8%	50 bps	▼
Direct Asking Rents (psf/yr)	\$31.82	\$32.91	3.3%	■
YTD Leasing Activity (sf)	2,433,880	2,365,240	-2.8%	■

DIRECT RENTAL VS. VACANCY RATES



OVERALL OCCUPIER ACTIVITY



preleasing with competition strong for the newest and best space in the market.

Outlook

The underlying fundamentals of the CBD office market remain strong going into 2016. The increasing diversity of the Downtown Denver tenant base continues to protect it from the struggling oil and gas market. Companies will continue to locate in the CBD in order to access the large, productive, and growing workforce that Denver has to offer. Rental and vacancy rates will remain competitive for owners and tenants as new Class A and AA product enters the market.