

# MARKETBEAT

## Office Snapshot Q4 2015

Denver, Colorado: Southeast Suburban (SES)



### Economic Overview

At the close of the fourth quarter of 2015, the indicators point to a still strong Denver economy. Unemployment continues to fall, 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 to for and companies to relocate.

### Vacancy and Rental Rates

Denver's Southeast Suburban (SES) market remains healthy. The SES market contains 31 million square feet (msf) with a diverse set of tenants. Vacancy rose 100 bps over the fourth quarter to 10.6%. The sudden increase in the vacancy rate can be largely attributed to 700,000 sf of available space currently vacant in the North Denver Tech Center. The direct average asking rent closed out the year at a rather steady \$22.81/SF. The Class A average asking rent in the SES are at \$25.57/SF with Class B buildings at an average asking rate of \$20.57/SF. Class B buildings are having an easier time pushing rents because they appear more attractive to prospective tenants thanks to owners offering higher Tenant Improvement (TI) packages.

### Leasing Activity

Leasing activity in the SES office market remained strong for the fourth quarter of 2015, totaling 2.8 (msf) year to date (YTD). Class A space accounted for 60% of the leasing activity over the same time period. Noteworthy new transactions for Q4 include CH2M Hill, Inc. renewing a total of 370,000 SF across three locations in Englewood. Large transactions in the SES are not as prevalent as in the past as tenants are finding ways to be more efficient with space.

### Construction

Two buildings are currently under construction and are set to deliver during the fourth quarter of 2016, One Belleview Station, a 318,000 SF building and INOVA Dry Creek, a 212,000 SF building. These Class AA and A buildings offer state of the art space with easy access to public transportation and varied amenities close by. The southeast inventory added one 275,000 SF class A building during Q4 2015. Large blocks of vacant space in the SES have investors holding off on the construction of new product, keeping the submarket at a healthy balance.

### STATS ON THE GO

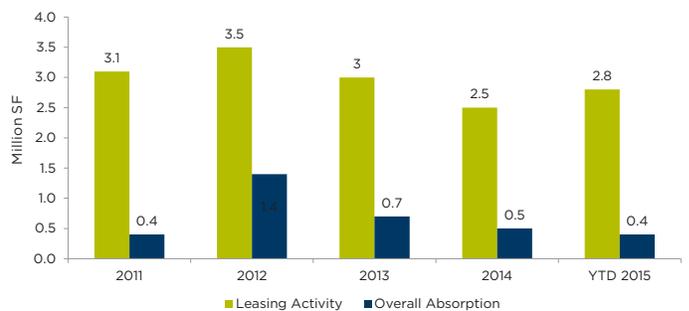
#### Economic Indicators

	Q4 14	Q4 15	Y-O-Y Change	12-Month Forecast
Direct Vacancy	9.3%	10.6%	130 bps	▼
Direct Asking Rents (psf/yr)	\$22.02	\$22.81	3.4%	▲
YTD Leasing Activity (sf)	2,472,282	2,851,520	13.3%	■

### DIRECT RENTAL VS. VACANCY RATES



### OVERALL OCCUPIER ACTIVITY



### Outlook

The SES market remains steady going into 2016. With only two spec buildings under construction and a current decrease in large tenant activity, rents will remain competitive for tenants and owners in the near-term. Tenants will continue to be attracted to the SES market thanks to it being a less expensive alternative to Downtown Denver plus its easy access to public transportation.