

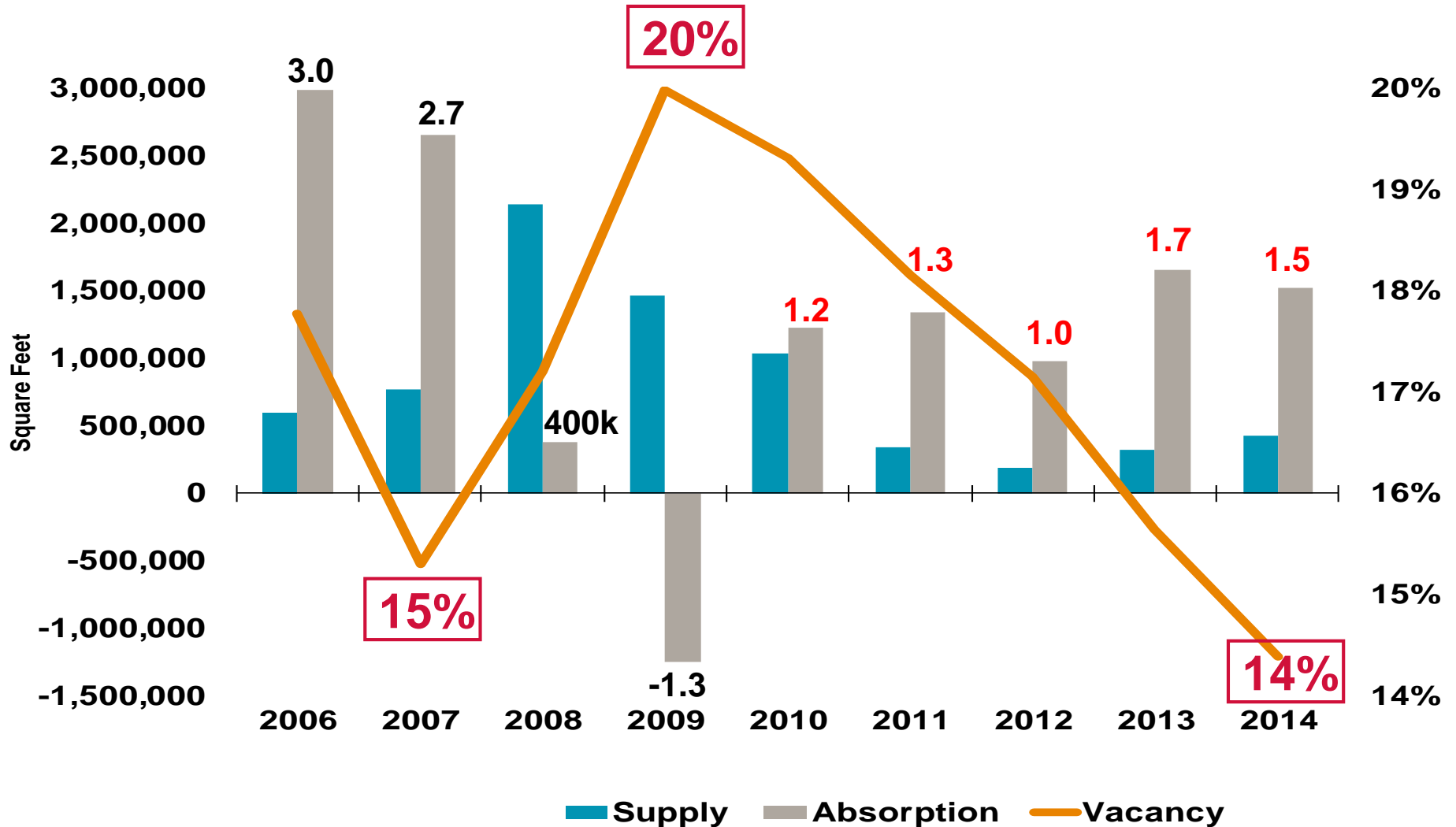


# DENVER OFFICE MARKET UPDATE

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January 2015

**Newmark Grubb  
Knight Frank**

# We're There after 5 Solid Years: 20% → 14% & 6.7 MSF Net Absorption



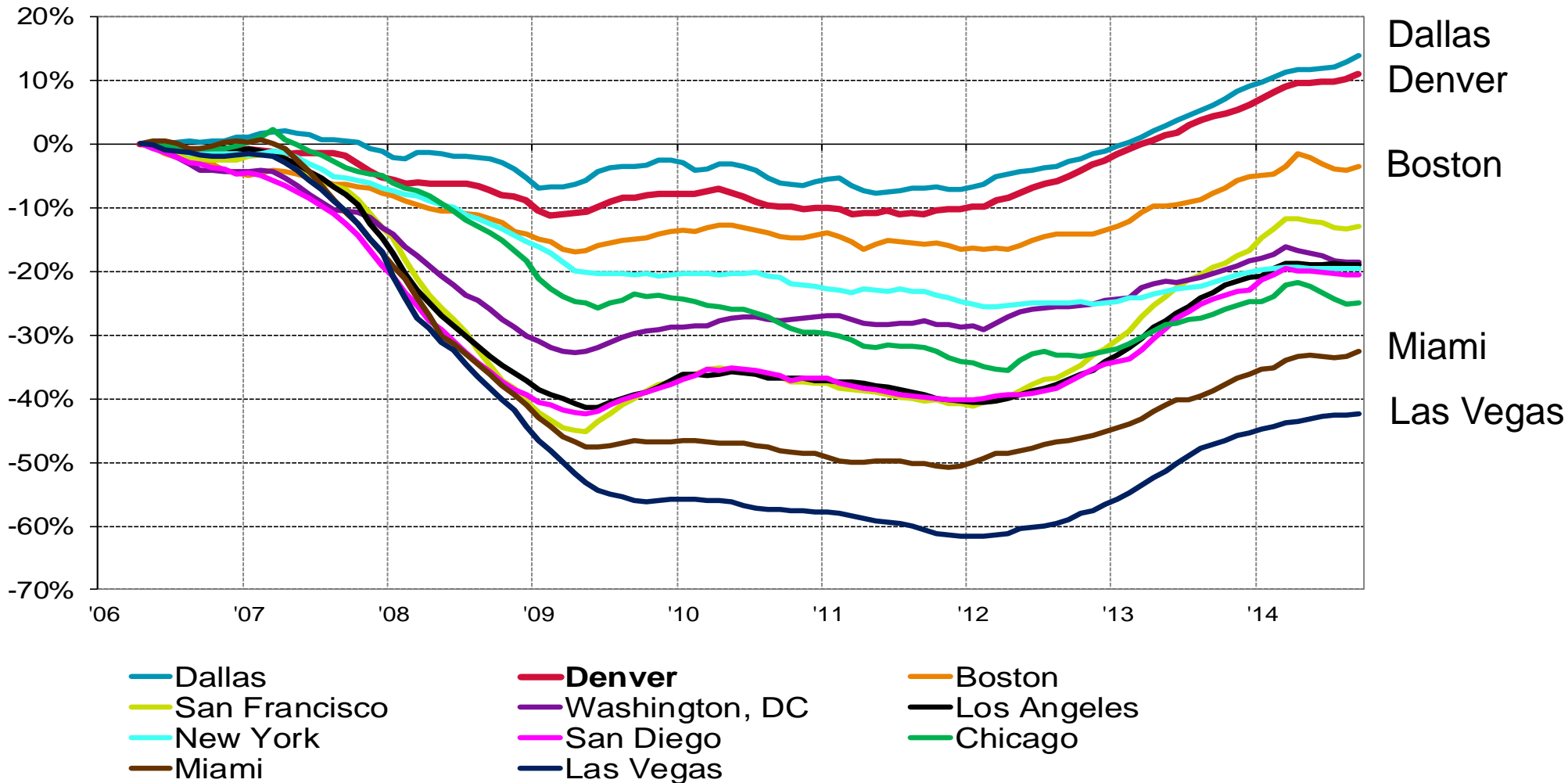
Source: Newmark Grubb Knight Frank Research



- ◆ From 2010 to 2014, we absorbed **6.7 million** square feet  
AND  
gained **157,800 jobs** during that period
- ◆ Denver Nov unemployment is at **3.9%** (U.S. is 5.8%), Denver unemployment fell below 4% in Oct & Nov, the first time since Nov 2007
- ◆ Denver 12-month average job growth through Nov 2014 = **2.8%**  
U.S. rate is 1.8%
- ◆ Major Employers in Denver:
  - **Healthcare**
  - **Tech**
  - **Defense/Aerospace**
  - **Energy**
  - **Education**

# Home Price Changes Since April 2006

## Recovery Strong in Denver



Source: Newmark Grubb Knight Frank, S&P/Case-Shiller Home Price Indices

# What Happened These Past Five Years?

## Core Submarkets



	Total SF	4Q09 Vacancy %	4Q14 Vacancy %	Total Absorption 2010-2014	2014 Absorption	2014 % of Total
<b>Total</b>	<b>92.4 M</b>	<b>20.0%</b>	<b>14.4%</b>	<b>6.7 M</b>	<b>1.5 M</b>	<b>22.7%</b>
<b>NW</b>	8.0 M	20.5%	<b>14.3%</b>	1.0 M	386,000	38.2%
<b>SES</b>	28.0 M	20.9%	<b>13.9%</b>	2.1 M	<b>-219,000</b>	n/a
<b>CBD</b>	25.8 M	18.8%	<b>12.6%</b>	2.1 M	453,000	21.8%

Source: Newmark Grubb Knight Frank Research

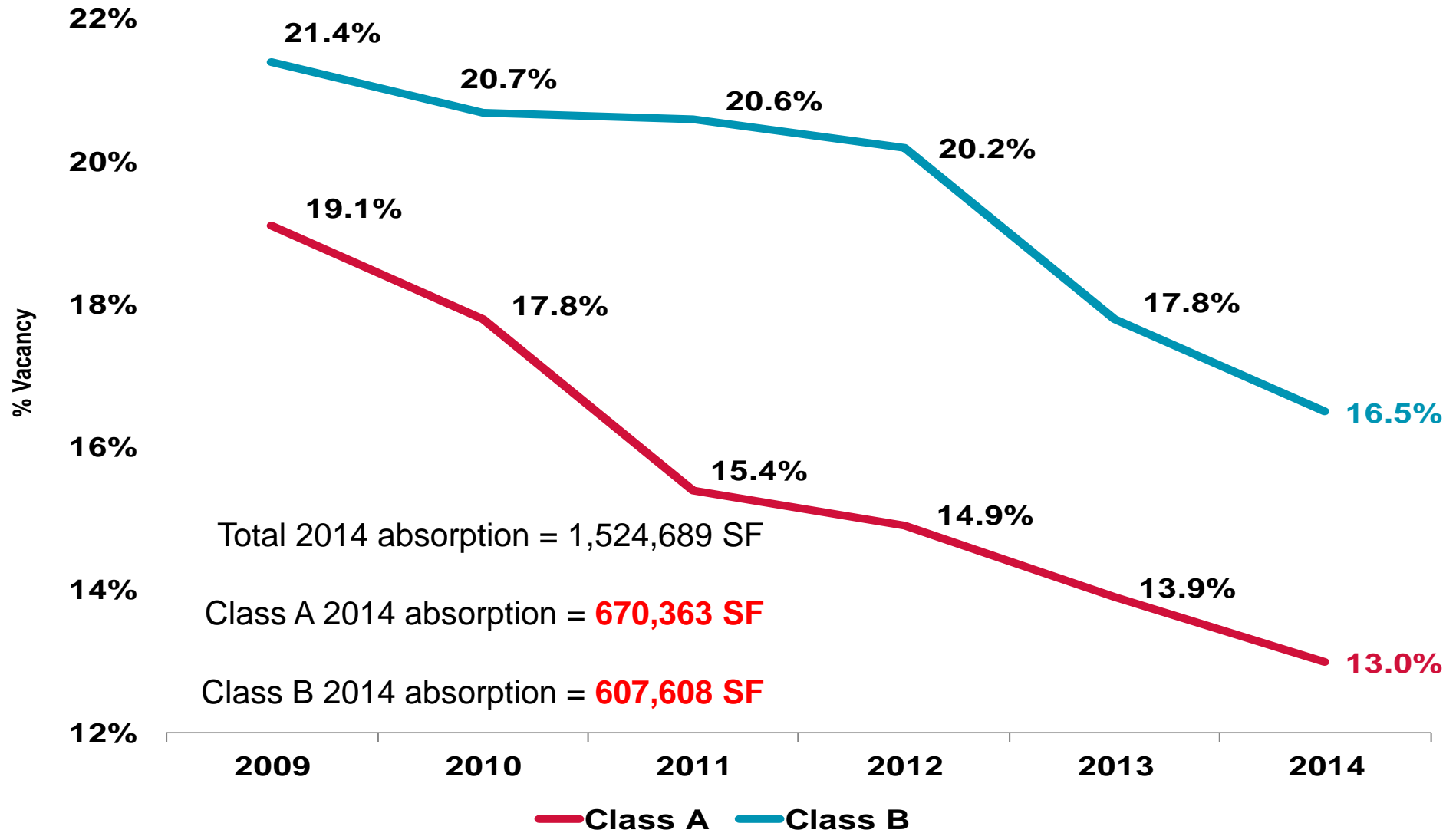
# What Happened These Past Five Years? Our Smaller Submarkets



	Total SF	4Q09 Vacancy %	4Q14 Vacancy %	Total Absorption 2010-2014	2014 Absorption	2014 % of Total
<b>Aurora</b>	4.6 M	30.9%	<b>21.3%</b>	448,000	164,000	36.5%
<b>Midtown</b>	6.0 M	11.7%	<b>7.4%</b>	472,000	273,000	57.9%
<b>NE</b>	2.1 M	20.8%	<b>16.0%</b>	367,000	40,000	10.8%
<b>SE</b>	6.3 M	26.7%	<b>18.2%</b>	523,000	258,000	49.3%
<b>SW</b>	3.0 M	14.5%	<b>10.2%</b>	156,000	31,000	20.1%
<b>West</b>	8.6 M	15.4%	<b>20.6%</b>	-477,000	138,000	n/a

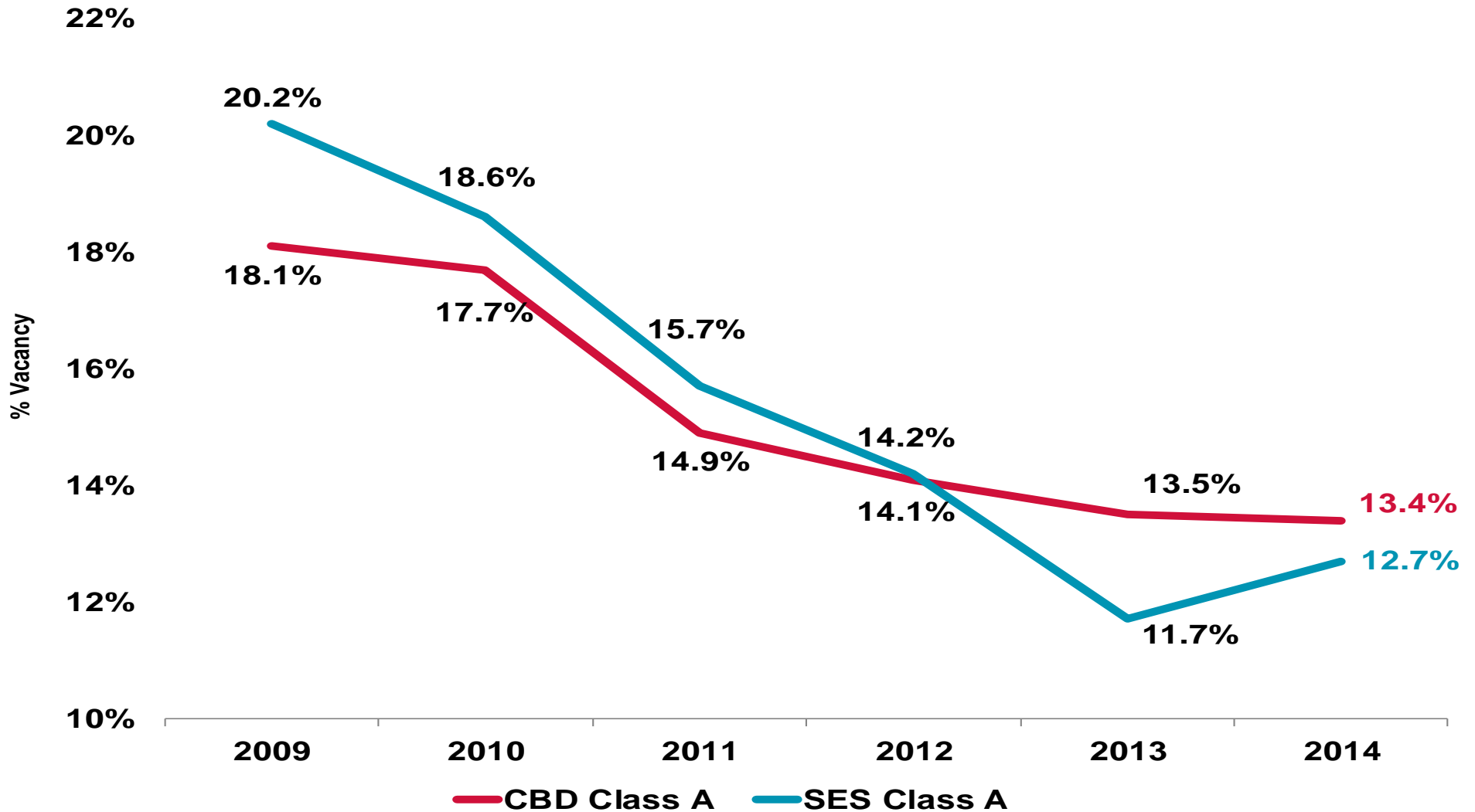
Source: Newmark Grubb Knight Frank Research

# Recovery – Both Class A and Class B Continue Strong



Source: Newmark Grubb Knight Frank Research

# Class A Continues at Equilibrium Between CBD & SES



Source: Newmark Grubb Knight Frank Research





- ◆ Lowest vacancy (14.4%) since 2000 (9.0%)
- ◆ Fifth year of strong expansion (5-yr ave. absorption = 1.3 MSF)
- ◆ Rental rate increases in CBD (13%), SES (10%) & NW (5%)
- ◆ Office sales topped \$2.3 B in 2014
- ◆ 1.9 MSF under construction: Primarily in LoDo, SES & Cherry Creek

- ◆ Overall continued expansion in 2015 ... 1.0-1.5 MSF absorption
- ◆ Positive absorption in all submarkets
- ◆ Continued rental rate increases ... (7%-9%)
- ◆ Another good year for sales ... \$2 B +



Energy will be the “Wild Card”!

