

Q4 2016

DENVER OFFICE MARKET REPORT



FOURTH QUARTER 2016

Office overview

The Denver office market ended the year with a vacancy rate of 9.8%. The market continued its upward climb in vacancy for the second consecutive quarter after six quarters that consistently posted a decrease. In terms of absorption, CoStar reports that the fourth quarter was up from the third quarter, with a net absorption totaling a positive 214,582 square feet. Rental rates ended at \$25.26 during the fourth quarter, an increase from Q3 2016.

The Denver office market delivered nine office buildings totaling 421,053 square feet. This compares to the previous quarter's 14 office buildings that totaled 530,541 square feet. The second quarter 2016 reported 11 buildings totaling 471,334 square feet that were completed. There were 6,049,049 square feet of office space under construction at the end of the fourth quarter 2016 to be completed in 2017.

OFFICE SALES ACTIVITY

Denver office sales figures rose during the third quarter 2016 in terms of dollar volume and number of sales compared to the previous quarter. Thirty-three office transactions closed during Q3 2016 that accounted for a total dollar volume of \$364,714,346 and 2,295,744 square feet that averaged \$158.87 per square foot.

Office sales activity decreased in 2016 compared to the previous year. During the first nine months of 2016, the Denver market witnessed 86 sales transactions reflecting a total sales volume of \$1,242,540,861 with an average price per square foot of \$167.91. In 2015, during the same nine months, the market posted 111 transaction with a total volume of \$1,393,727,633. The price per square foot averaged \$163.29.

Cap rates rose in 2016, averaging 7.13% compared to 6.93% last year. One of the largest transactions that occurred in 2016 in Denver for Unique Properties was the sale of 2305 East Arapahoe Road located in Denver, Colorado. The Property sold for \$2,800,000 in December 2016.

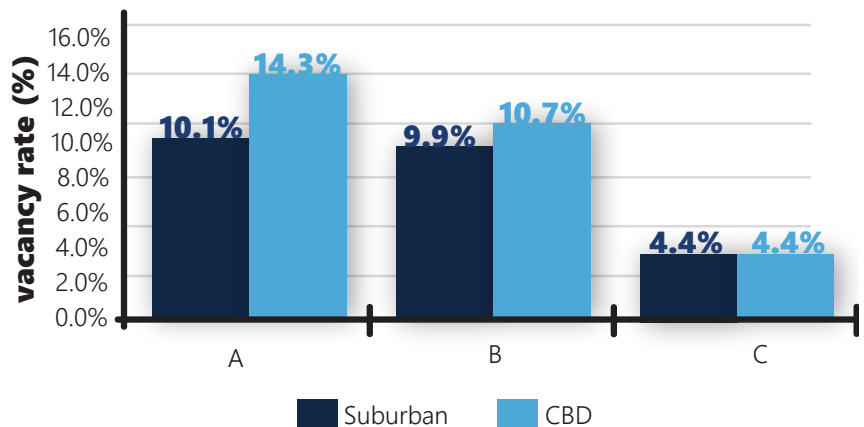


DENVER | OFFICE VACANCY

PERIOD	VACANCY %	NET ABSORPTION
Q1 2016	9.6% ↓	609,283 SF +
Q2 2016	9.4% ↓	750,048 SF +
Q3 2016	9.7% ↑	(164,746) SF -
Q4 2016	9.8% ↑	214,582 SF +

Source: CoStar

VACANCY RATE BY CLASS



TOTAL OFFICE MARKET STATISTICS | Q4 2016

MARKET	EXISTING INVENTORY		VACANCY			YTD NET ABSORPTION	YTD DELIVERIES	UNDER CONST SF	Quoted RATES
	# BLDG	TOTAL RBA	DIRECT SF	TOTAL SF	VAC %				
Aurora	13	1,921,923	85,866	85,866	4.5%	16,332	0	0	\$17.80
Boulder	15	1,585,645	123,888	238,766	15.1%	151,693	300,472	200,000	\$33.27
Broomfield	20	3,171,782	334,230	369,155	11.6%	23,282	102,869	173,380	\$28.01
Clear Creek County	0	0	0	0	0.0%	0	0	0	\$0.00
Colorado Blvd/Glendale	24	3,857,821	488,890	503,691	13.1%	(126,498)	0	450,564	\$29.80
Downtown	56	22,673,440	2,801,136	3,281,401	14.5%	(106,602)	311,015	2,232,600	\$33.55
Elbert County	0	0	0	0	0.0%	0	0	0	\$0.00
Fort Collins/Loveland	12	833,037	45,761	47,081	5.7%	48,714	60,000	120,000	\$27.71
Gilpin County	0	0	0	0	0.0%	0	0	0	\$0.00
Longmont	1	106,336	22,470	22,470	21.1%	0	0	0	\$26.65
Midtown	6	1,092,758	6,064	6,064	0.6%	(6,064)	0	0	\$31.76
North Denver	5	706,944	16,590	21,680	3.1%	40,898	41,400	0	\$21.00
Northeast Denver	6	556,545	40,246	40,246	7.2%	(4,568)	0	43,586	\$26.00
Northwest Denver	20	2,039,309	177,726	177,726	8.7%	(85,831)	0	0	\$25.06
Park County	0	0	0	0	0.0%	0	0	0	\$0.00
Parker/Castle Rock	3	169,056	0	0	0.0%	0	0	124,520	\$20.64
Southeast Denver	142	22,242,483	1,994,804	2,330,340	10.5%	327,633	20,282	1,667,420	\$26.22
Southwest Denver	6	1,359,634	167,965	186,489	13.7%	(118,167)	0	0	\$26.35
Weld County	6	667,828	0	0	0.0%	12,000	0	0	\$26.70
West Denver	19	2,448,728	172,272	199,984	8.2%	(31,188)	28,258	0	\$25.16
TOTALS	354	65,433,269	6,477,908	7,510,959	11.5%	313,296	864,296	5,012,070	\$29.52

CLASS A OFFICE MARKET STATISTICS

MARKET	Existing Inventory		Vacancy			YTD Net Absorption	YTD Deliveries	Under Const SF	Quoted Rates
	# Blds	Total RBA	Direct SF	Total SF	Vac %				
CBD	49	21,532,478	2,595,884	3,076,149	14.3%	(216,786)	311,015	995,002	\$32.66
Suburban	305	43,900,791	3,882,024	4,434,810	10.1%	530,082	553,281	4,017,068	\$27.78
Totals	354	65,433,269	6,477,908	7,510,959	11.5%	313,296	864,296	5,012,070	\$29.52

CLASS B OFFICE MARKET STATISTICS

MARKET	Existing Inventory		Vacancy			YTD Net Absorption	YTD Deliveries	Under Const SF	Quoted Rates
	# Blds	Total RBA	Direct SF	Total SF	Vac %				
CBD	174	11,048,381	1,059,051	1,186,503	10.7%	(279,104)	0	53,478	\$28.99
Suburban	3,752	94,584,182	8,988,318	9,404,237	9.9%	1,231,052	706,684	983,501	\$21.64
Totals	3,926	105,632,563	10,047,369	10,590,740	10.0%	951,948	706,684	1,036,979	\$22.50

CLASS C OFFICE MARKET STATISTICS

MARKET	Existing Inventory		Vacancy			YTD Net Absorption	YTD Deliveries	Under Const SF	Quoted Rates
	# Blds	Total RBA	Direct SF	Total SF	Vac %				
CBD	59	1,579,321	69,446	69,446	4.4%	(13,637)	0	0	\$24.08
Suburban	3,199	23,579,857	1,024,984	1,035,679	4.4%	157,560	0	0	\$18.08
Totals	3,258	25,159,178	1,094,430	1,105,125	4.4%	143,923	0	0	\$18.34

FEATURED Q4 OFFICE SALE TRANSACTIONS Unique Properties / TCN Worldwide transactions

6101 East Evans Ave.



DENVER
PRICE: \$950,000
SIZE: 7,159 SF
DATE: DEC 2016

2305 East Arapahoe Rd.



DENVER
PRICE: \$2,800,000
SIZE: 48,598 SF
DATE: DEC 2016