

# DENVER, CO

**NUMBER 1**

News and World Reports ranked Denver #1 "Best Places to Live" for job prospects, affordability, and quality of life.

# 2016

- RECORD INDUSTRIAL
- MULTI-FAMILY BOOM
- NEW DEVELOPMENTS DELIVERED

## OVERALL MARKET

Denver is one of the greatest markets for opportunity and continued growth in the United States as well as one of the top 10 markets for small businesses.

### SUMMARY

2016 marked the year Denver was recognized as #1 of U.S. News and World Reports "Best Places to Live" based on affordability, job prospects and quality of life.

The commercial real estate markets confirmed this in all sectors, most markedly, office, industrial, multi-family, retail and investments. In 2016 there were 53 cranes presiding over 24,624,666 square feet of new development in the Denver metro area.

The Industrial sector grew at the fastest pace with record breaking absorption of 2.2 million square feet, continuing 19 consecutive quarters of positive market absorption of space. Vacancy rates reflected that trend standing at 3.7 percent, while rent growth approached \$12.00 per square foot per year NNN, a record rate in Denver.

The office market absorbed over 500,000

square feet—a remarkable feat considering aggressive downsizing in the oil and gas sectors of the Denver market in 2016. Overall vacancy rates stood at 13.7 percent while rents climbed to historic highs reaching upwards of \$40.00 per square foot per year NNN in certain CBD submarkets.

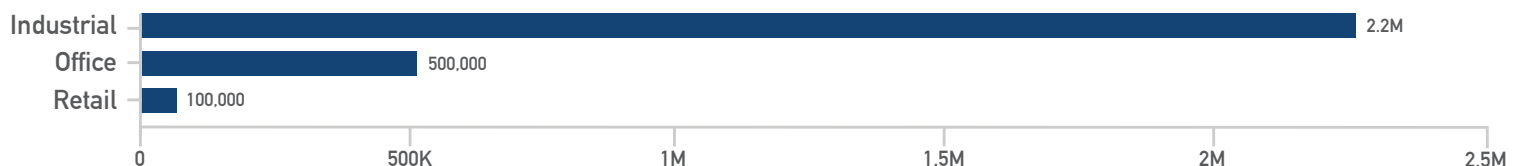
Retail commercial real estate showed resiliency in spite of the closure of multiple Sports Authority stores in 2016. The market continued to show positive absorption of over 100,000 square feet with rents growing to historic highs in areas such as Cherry Creek and CBD in the range of \$55.00 to \$70.00 per square foot per year NNN.

Multi-family properties continue construction growth at a torrid rate with 69 projects currently under construction including the 580 unit 922,000 square feet

1777 Wewatta project at Union Station. Denver apartment rents hit an all-time high of \$1371 per unit while vacancy rates stayed very low at 5.4 percent.

The investment market in office continued at a very strong pace posting over \$4 billion dollars in sales with transactions totaling 21.6 million square feet since 2015. Investors are shifting interest to the suburban markets due to the lack of available properties for sale in Denver's CBD districts. Large-scale employers continue to flock to the Denver/Front Range such as Comcast, which will move 1,000 workers into a 212,000 square foot building in Centennial next year, while Agrium will consolidate its U.S. headquarters to a 120,000 square foot space in Loveland.

### ABSORPTION RATES



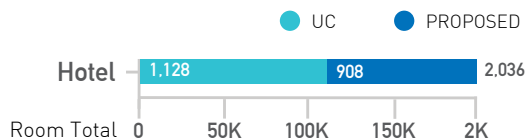
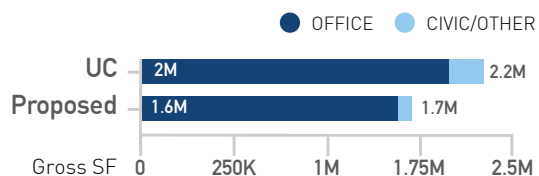
## UNDER CONSTRUCTION

Development projects as of Mid-Year 2016

OFFICE	FLOORS	GROSS SF
1144 15th Street	40	640,000
16 Chestnut	19	430,000
1401 Lawrence	22	290,000
1881 16th Street	5	50,000
999 17th Street	9	100,000
CO Health Foundation	3	33,000
Dairy Block Offices	6	200,000
Riverview at 1700 Platte	5	210,000
Union Tower West	12	100,000
1510 Market	4	16,000
1615 Platte	4	80,000
Block 162	32	606,000
Market Station	10	90,000
Platte Fifteen	5	160,000
Rossonian Office	8	60,000
Sugar Square	4	10,000
Two Tabor Center	31	620,000

HOTEL	FLOORS	ROOMS
Dairy Block Hotel	8	170
Fairfield Inn Lower Highland	5	87
Hotel Indigo	12	180
Kimpton Union Station	12	200
Le Meridien/AC Hotel	20	491
1600 Market Hotel	12	222
1701 Blake Hotel	7	202
2525 16th Street Hotel	5	165
Hilton Garden Inn	12	214
Rossonian Hotel	8	105

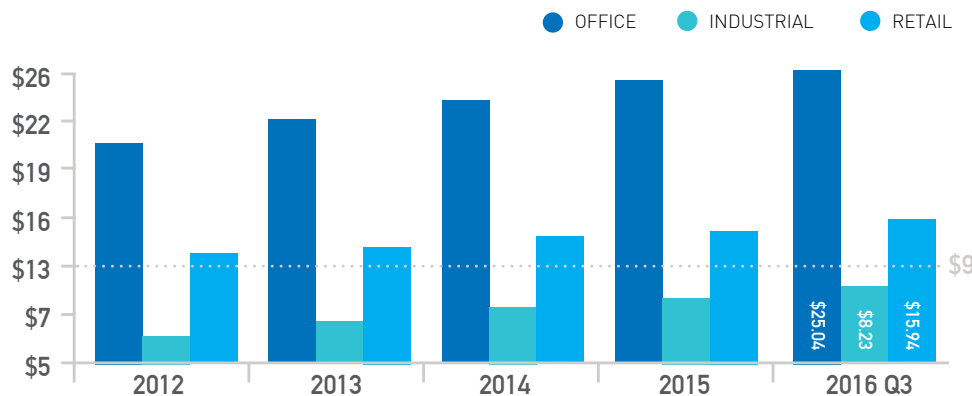
CIVIC/OTHER	FLOORS	GROSS SF
Kirkland Museum	2	19,000
MSU Aerospace Engineering	4	142,000
CU Denver Wellness Center	4	85,000



SOURCES: REIS, CoStar

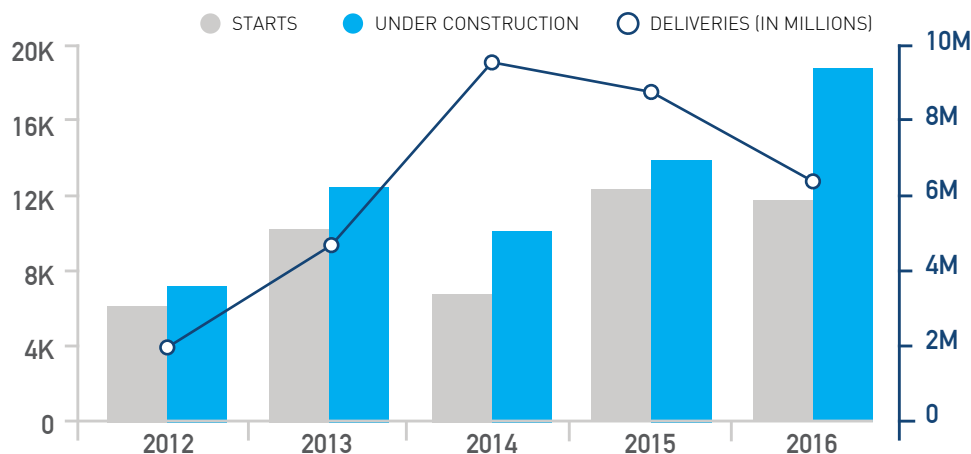
## LEASE RATES

Trends amongst all sectors of the Denver market



## INVENTORY GROWTH

Trends amongst all sectors of the Denver market



## FORECAST

The prestigious ULI/PWC "Emerging Markets to Watch" report continues to project Denver as one of the greatest markets for opportunity and continued growth in the US. While investors and developers keep an eye on job growth and anticipated shifts in interest rates, Denver stands tall when it comes to employment and overall wages. According to this report "Despite strong labor force growth, the city's unemployment rate is now at its lowest rate in 15 years. Due to the tightening labor market, Denver workers are enjoying hourly earnings growth that is outpacing the national average".

In 2017 Denver expects to see its greatest job growth in the professional services sector including engineering, computer systems design, and scientific research. Robust market growth seen in 2016 due to this foundation of job and wage growth will continue. Key factors to watch for in 2017 include:

Transit-oriented developments or "TOD's"

will continue strong expansion in the Denver metro area and the opening of the "G", "R" and "N" lines.

Expansion of co-working/creative space and affordable housing projects to accommodate the "Millennial magnet"—a term coined for Denver's popularity with that fast-growing population group.

Rent rates will continue to increase due to the continued disciplined approach of developers on speculative development—most new development is heavily pre-leased. Investment sales will increase in the suburban markets due to limited assets for acquisition in the Central Business District.

Continued growth of jobs in the professional sectors including engineering, tech, medical and science fields. Entrepreneurs will continue to flock to Denver and Boulder. Denver was recently recognized as one of the top 10 markets for small businesses, growing 4232 new small businesses in the last five years.