

# DENVER

## OFFICE MARKET OVERVIEW Q3 2020

USER BUILDINGS | CONDOS | INVESTMENT PROPERTIES

### SALE MARKET REPORT

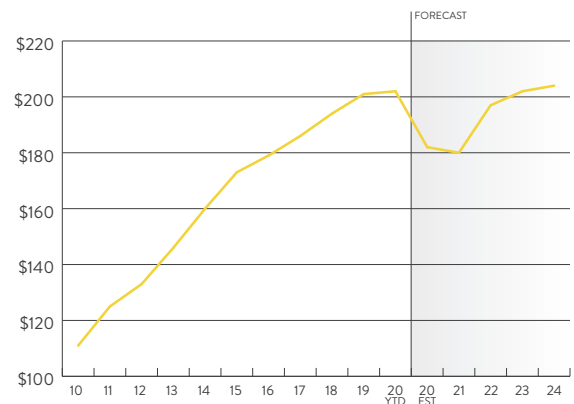
*This report includes data analyzing Metro Denver office buildings under 50K SF.*

2020 has served up uncertainty in the market for user buildings, office condos, and non-institutional investment properties. Increasing sale prices for the past 10 years have provided owners with amazing appreciation in their property values, but we knew the top of the cycle was lurking around the corner. It may have taken a pandemic to get us there. Demand for user buildings and condos is driven primarily by office lease rates and interest rates. With lease rates jumping each renewal period since the Great Recession, tenants have wanted to capitalize on stability of occupancy costs and other benefits of ownership. The pandemic and resulting economic woes have equated to the most sublease space in our history, vacancy rates creeping up, and uncertainty around the leasing market. Office lease rates are destined to take a hit encouraging tenants to continue to lease for the time being. Office investors already challenged by high lease up costs may turn to other asset classes such as industrial which is better built to weather the market. Other factors providing headwinds for the Seller's market is the perception that struggling building owners will be putting their space on the market with desperation to sell - a "COVID-19" discount, uncertainty of the business environment, and many businesses having less expendable capital.

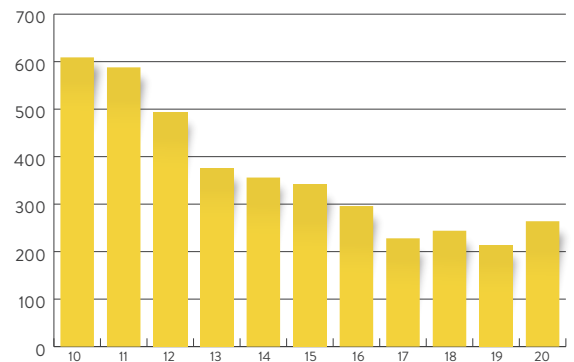
All is certainly not gloomy in the market. After all, average sales prices are at or near all-time highs in the 1st and 2nd quarter of this year. While banks are acting more conservatively, interest rates continue to be near all time lows encouraging buyers to take advantage of this time. Inventory has been scarce for many years since it reached a high in 2010 and continues to be with sale listings near the 10 year low (but starting to increase). Buyers are still having trouble finding the right property and are ready to jump on one that fits their needs.

It's likely we are facing a near term reset of the market and a quick recovery within 2-3 years if the economy bounces back in that time frame. Stay tuned for an update at the beginning of the 4th quarter.

MARKET SALE PRICE PER SF



FOR SALE TOTAL LISTINGS



### DENVER METRO SALE STATISTICS

	Q1 2020	Q2 2020	FORECAST Q3 2020	10 YR HIGH	10 YR LOW
Sale Price Per SF	\$203	\$202	\$193	\$203 (2020)	\$98 (2010)
Sale Price Per SF (Suburban)	\$182	\$182	\$174	\$182 (2020)	\$90 (2010)
Sale to Asking Differential	-5.8%	-10.2%		-17.3% (2010)	-5.8% (2020)
Total Listings on Market	246	264		609 (2010)	213 (2019)

Source: CoStar



*Jeremy Reeves*

JEREMY REEVES  
303.283.1375  
jeremy.reeves@colliers.com

Colliers  
INTERNATIONAL  
DENVER

4643 South Ulster Street, Suite 1000  
+1 303 745 5800 fax +1 303 745 5888  
colliers.com/denver