

	YoY Chg	12-Mo. Forecast
18.7% Vacancy Rate	▲	▲
-1.3 MSF Net Absorption, SF	▲	▲
1.4 MSF Under Construction, SF	▼	▼
\$29.83 Asking Rent, PSF	▲	▼

(Overall, All Property Classes)

ECONOMIC INDICATORS Q1 2021

	YoY Chg	12-Mo. Forecast
1.5M Denver Employment	▼	▲
6.7% Denver Unemployment Rate	▲	▼
6.0% U.S. Unemployment Rate	▲	▼

Source: BLS

ECONOMY: Volatility and Slow Path to Recovery Continues

Denver's metro economy recorded an uptick in unemployment from the fourth quarter 2020 to the first quarter 2021, increasing 10 basis-points (bps) to 6.7%. Even as unemployment has crept up, Denver's economy has made progress towards a full re-opening. As Denver continues to work through herd immunity and more clarity arises on the future, Denver's economy is well-positioned to be at the forefront of growth as the national and global economy works its way through the current economic downturn.

SUPPLY: Vacancy Continued to Climb, CBD Exhibiting Largest Impact

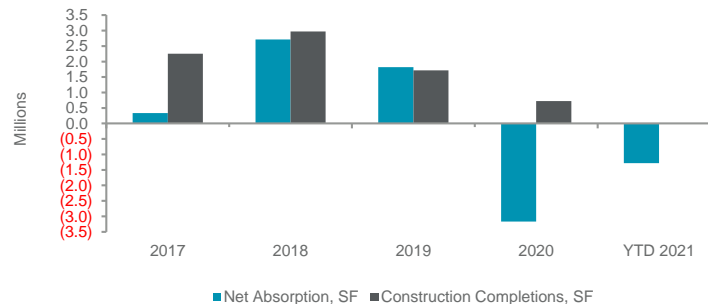
The Denver metro office market overall vacancy recorded an uptick of 100 bps from the fourth quarter 2020 to the first quarter 2021, increasing to 18.7% as all markets tracked by Cushman and Wakefield exhibited increasing overall vacancy. The Central Business District (CBD) recorded the largest increase quarter-over-quarter (QOQ), increasing 180 bps to 20.7% at the end of the first quarter 2021. The CBD has continued to be the market hardest impacted during the current downturn, exhibiting an increase of 480 bps year-over-year (YOY), from when overall vacancy was 15.9%, one year ago.

Metro Denver office product also recorded an uptick in direct vacancy from the fourth quarter 2020 to the first quarter 2021, increasing 90 bps to 16.0% to close the first quarter. All classes recorded increases in direct vacancy QOQ, with Class A product recording the highest increase of 130 bps to 15.3% at the end of the first quarter 2021. This increase is partially attributed to two renovations delivering during the first quarter 2021, as well as tenants continuing to right-size to align real estate footprints with current headcounts. Vacancy is expected to trend upwards through the end of 2021, as new product delivers with lower preleasing activity than prior years and occupiers shed space.

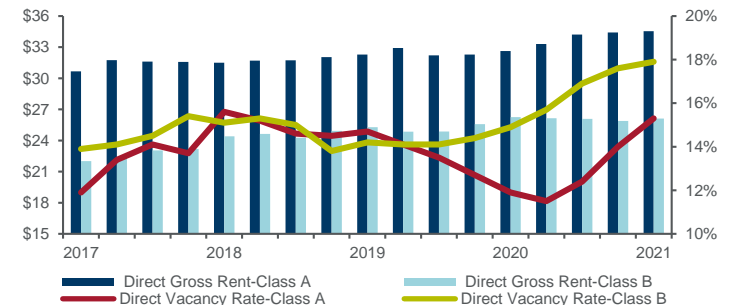
PRICING: Rental Rates Record Modest Increase as Renovations Deliver and Boulders Office Market Grows

Denver's office market direct gross rental rate exhibited a marginal increase QOQ, increasing approximately 1.0% to \$30.00 per square foot (psf). This increase is partially due to the aforementioned deliveries of the renovated product at 777 Grant Street and the Link at 1490 Curtis Street, as well as the robust QOQ direct gross rental rate exhibited in the Boulder submarket, which increased by approximately 1.7% to \$34.93 psf at the end of the first quarter 2021 and was fueled by the Downtown Boulder office micro-market. It is important to note that even with this moderate growth the spread between asking rents and achievable rents has continued to widen. Overall gross rental rates recorded a more marginal increase of less than one percent from the fourth quarter 2020 to the first quarter 2021, closing at \$29.83 psf.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



ACTIVITY: Leasing Activity Slows as Wait-And-See Approach Continues

Leasing activity was down compared to the 1.4 million square feet (msf) of new and expansion leasing activity exhibited during the fourth quarter 2020, with approximately 920,000 sf leased throughout the first quarter 2021. Leasing activity was highly concentrated between Class A and B product, accounting for 44.6% and 46.2% of first quarter 2021 activity, respectively. The most notable transaction executed during the first quarter 2021 was Sherman and Howard's new 59,300-sf lease at Block 162 (675 15th Street) in the CBD, representing the first executed lease at the under-construction development. This will move Sherman & Howard's headquarters for the first time in 45 years and will vacate approximately 130,000 sf at Colorado Plaza Tower I (633 17th Street). The second most notable lease that occurred during the first quarter 2021 was Perkin Coie's 35,900-sf renewal at 1900 16th Street in the CBD. Rounding out the top three was Regus' 35,900-sf renewal at The Point at Inverness (8310 S. Valley Highway) in the SES submarket.

ABSORPTION: Tenants Continue to Shed Space at a Rapid Clip

Net absorption remained negative for the fourth consecutive quarter representing the first time since the Great Financial Crisis that Denver's office market has recorded four straight quarters of negative net absorption. Negative net absorption increased over the roughly -1.1 msf of net absorption during the fourth quarter 2020 with first quarter 2021 exhibiting approximately -1.3 msf of net absorption. All submarkets as tracked by Cushman and Wakefield were in the red during the first quarter 2021 with the CBD recording the highest amount of space given back to the market at -426,100 sf, representing approximately 33.2% of negative net absorption at the end of the first quarter. Net absorption is expected to continue to trend negatively over the next three quarters, but with pent-up demand due to short-term extensions the Denver metro office market is set-up for a prosperous 2022 and beyond.

CONSTRUCTION: Two Renovations Deliver, One Project Breaks Ground

During the first quarter 2021, the Denver office market had one project break ground. 1650 Canyon Street in the Central Boulder micro-market broke ground on 25,100 sf during the first quarter 2021 and was 71.3% preleased to Microsoft. At the end of the first quarter 2021 the Denver office market had nine developments currently under construction for a total of approximately 1.4 msf and were collectively 39.2% preleased at the end of the first quarter 2021. No under construction projects delivered during the first quarter 2021, but two notable renovations were completed. The Link at 1490 Curtis street finished its renovation of the old CenturyLink building and delivered roughly 210,200 sf to the Midtown micro-market in the CBD with no preleasing activity. The second renovation that delivered during the first quarter 2021 was the 67,600-sf renovation of 777 Grant in the Non-CBD Midtown, which also delivered 0.0% preleased. Overall, construction levels are expected to continue to decrease as new construction delivers and no new developments break ground as supply continues to outweigh demand.

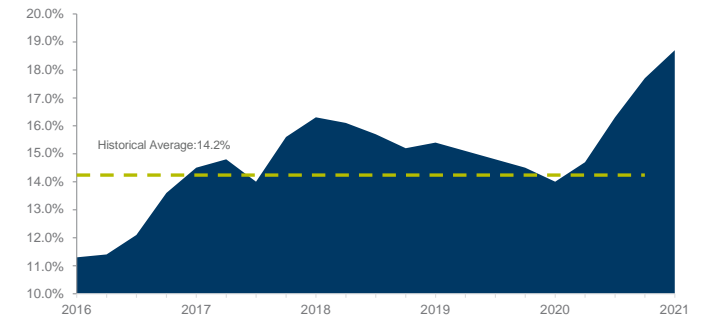
OUTLOOK

- Tenant touring activity is starting to accelerate, most notably in suburban markets.
- While sublease space has thus far seen minimal leasing, it will become more discounted and begin to account for a disproportionate share of absorption.
- Ultimate downward pressure on rents and deal terms is still difficult to project, due to very limited transaction activity.
- Work From Home (WFH) strategies will continue to evolve for users as the year progresses, but by year end will be established and most likely not as significant of an impact as expected.
- Relocating tenants are highly focused on space solutions requiring little to no up-front capital expenses.

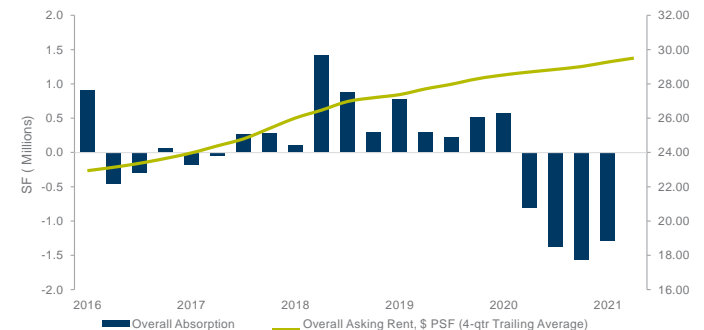
SUBMARKET COMPARISON



OVERALL VACANCY VS. HISTORICAL AVERAGE



ABSORPTION VS. OVERALL ASKING RATE



MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	DIRECT VACANT (SF)	SUBLET VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)**	YTD OVERALL NET ABSORPTION (SF)**	YTD LEASING ACTIVITY (SF)	UNDER CONSTRUCTION (SF)	OVERALL AVG ASKING RENT (ALL CLASSES)	OVERALL AVG ASKING RENT (CLASS A)
Boulder	5,850,161	613,342	196,827	13.8%	-62,622	-62,622	46,150	247,102	\$33.47	\$40.85
Midtown (Non-CBD)	3,828,199	547,031	25,477	15.0%	-20,015	-20,015	12,466	0	\$28.70	\$37.85
CBD	31,111,269	4,986,374	1,446,121	20.7%	-426,135	-426,135	180,004	1,137,427	\$37.52	\$41.72
RiNo	2,094,489	625,932	14,451	30.6%	-54,354	-54,354	53,785	0	\$45.86	\$46.57
Aurora/Northeast	7,578,277	1,074,087	189,975	16.7%	-43,882	-43,882	50,949	0	\$20.93	\$24.40
Northwest	14,372,066	2,017,383	156,371	15.1%	-126,099	-126,099	179,747	0	\$26.13	\$29.64
Southeast Suburban	33,920,278	5,746,749	892,553	19.6%	-230,401	-230,401	258,950	0	\$27.61	\$30.53
Southeast Central	11,020,958	1,746,003	174,159	17.4%	-204,941	-204,941	68,313	64,000	\$27.33	\$31.31
Southwest	9,398,012	1,677,034	109,192	19.0%	-113,892	-113,892	69,654	0	\$26.98	\$22.20
Denver Totals	119,173,709	19,033,935	3,205,126	18.7%	-1,282,341	-1,282,341	920,018	1,448,529	\$29.83	\$34.13

*Rental rates reflect full service gross asking

**Not reflective of the U.S. Tables (revised)

KEY LEASE TRANSACTIONS Q1 2021

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
675 15th Street (Block 162)	CBD (Midtown)	Sherman & Howard	59,292	New Lease
1100 Westmoor Circle (Westmoor - Bldg. 10)	Northwest (NW Corridor)	Inovonics	37,496	New Lease
1900 16th Street	CBD (LoDo/CPV)	Perkins Coie	35,891	Renewal*
8310 S. Valley Highway (The Point at Inverness)	SES (Inverness/Panorama)	Regus	32,946	Renewal*
12101 Airport Way (Mountain View - Bldg. 2)	Northwest (NW Corridor)	Nuvasive	28,401	New Lease

*Renewals not included in leasing statistics

KEY SALES TRANSACTIONS Q1 2021

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$ PSF
4300 Cherry Creek Drive S., 700 & 710 Ash Street	SE Central (Co Blvd./Glendale)	City Office REIT Boyd Watterson Asset Management	355,687	\$95.0M / \$178
4600 S. Syracuse Street	SES (DTC)	MetLife Mille Global JV Principal Real Estate	306,101	\$74.3M / \$243
10825 E. Geddes Avenue (INOVA Dry Creek 2)	SES (Inverness/Panorama)	United Properties Libitzky Property Company	220,396	\$63.2M / \$287
14143 Denver West Parkway (Signature Center, Denver West)	West Denver	Luxor Capital Group Vista Investment Group	185,920	\$30.5M / \$164

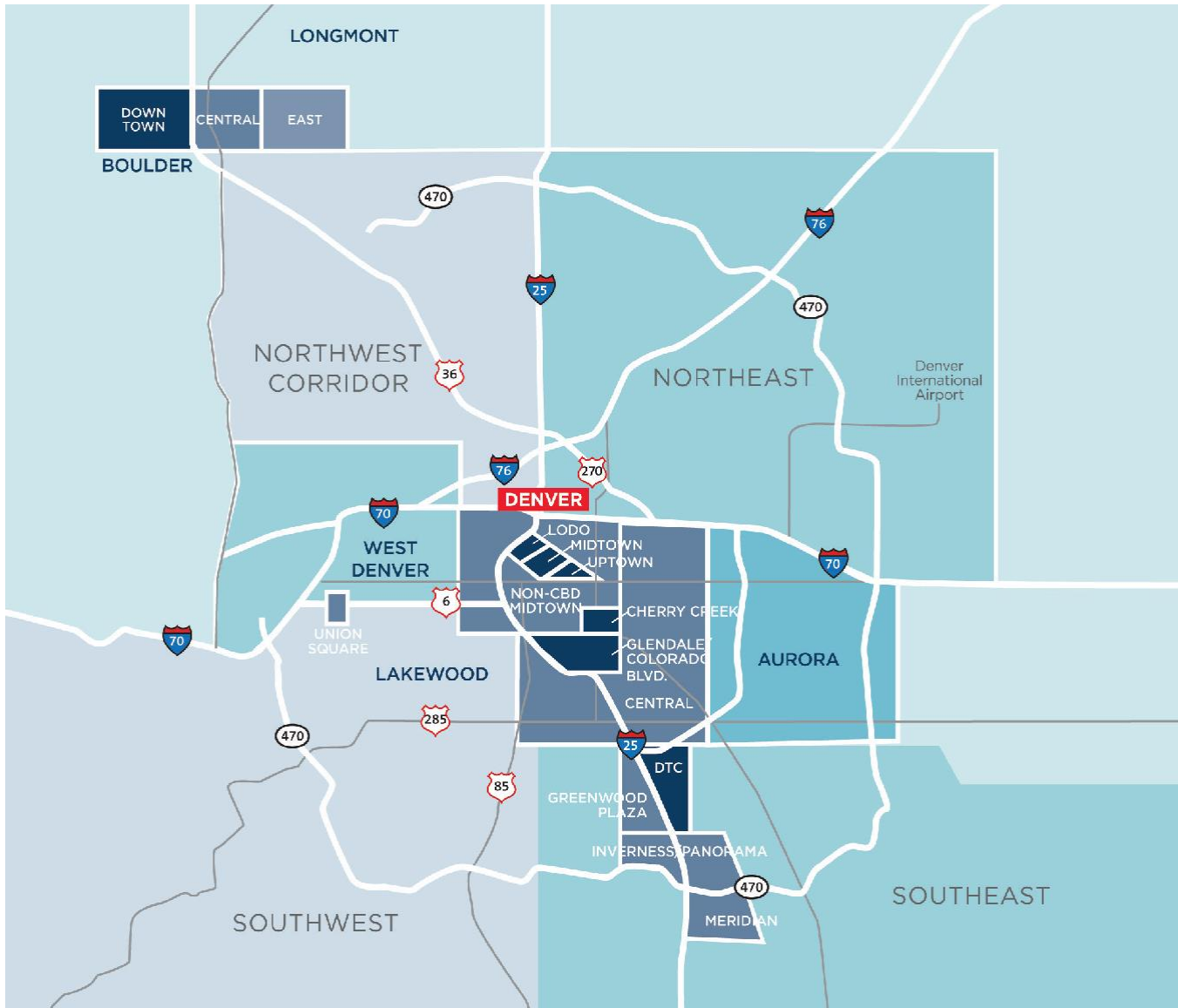
KEY CONSTRUCTION/RENOVATION COMPLETIONS

PROPERTY	SUBMARKET	MAJOR TENANT	RBA	OWNER / DEVELOPER
1490 Curtis Street (The Link)	CBD (Midtown)	N/A	210,169	Rialto Capital JV Steelwave
777 Grant Street	Non-CBD Midtown	N/A	68,348	Littleton Capital Partners

DENVER, COLORADO

Office Q1 2021

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