

| | YoY Chg | 12-Mo. Forecast |
|---|---------|-----------------|
| 21.1% Vacancy Rate | ▲ | ▲ |
| -961K Net Absorption, SF | ▬ | ▲ |
| 2.1 MSF* Under Construction, SF | ▲ | ▲ |
| \$31.62 Asking Rent, PSF | ▲ | ▬ |

(Overall Gross, All Property Classes)
*Not reflective of U.S. Market Table

ECONOMIC INDICATORS Q3 2022

| | YoY Chg | 12-Mo. Forecast |
|---|---------|-----------------|
| 1.6M Denver Employment | ▲ | ▲ |
| 3.3% Denver Unemployment Rate | ▼ | ▼ |
| 3.5% U.S. Unemployment Rate | ▼ | ▲ |

Source: BLS, Moody's Analytics

ECONOMY: Unemployment Drops to 3.3% Even As Interest Rates Continue to Rise

Metro Denver's unemployment rate fell for the sixth consecutive quarter in the third quarter 2022, ending September at 3.3%. While this marked a 200-basis-point (bps) decrease year-over-year (YOY), post-pandemic economic recovery now faces new headwinds from interest rate hikes aimed at curbing inflation. The Fed raised its benchmark rate by 75 bps in September, marking the fifth rate hike since March of 2022. Fed Chairman Jerome Powell announced in August that the Federal Open Market Committee is resolved to get inflation—which is currently just under 8.3%—down to 2.0%, a likely indication that rates will be raised by at least another 125 bps before the end of 2022.

SUPPLY: Vacancy Continues to Rise as Sublease Availability Exceeds 5.5 Million Square Feet

After a 70-bps uptick during the second quarter 2022, office vacancy is once again on the rise, increasing by 50 bps quarter-over-quarter (QOQ) to end the third quarter 2022 at an average of 21.1%. Compared to the third quarter 2021, overall vacancy is up 90 bps YOY, a clear indication that the office sector's recovery remains a work in progress. Contrary to prior quarters, vacancy rate growth in several of the suburban submarkets outpaced the Central Business District (CBD), with Non-CBD Midtown and the Southeast Suburban submarkets recording the highest quarterly increases at 2.7% and 1.2%, respectively. Overall, CBD vacancy rose by 80 bps QOQ and 300 bps YOY to end the third quarter 2022 at 27.1%, while Non-CBD vacancy rose to 18.9%, an increase of 40 bps QOQ and 10 bps YOY. Despite indications that sublease availability had hit its peak in mid-2021 and was on the decline, sublease availability reached a record-setting 5.6 million square feet (msf) in the third quarter 2022, marking the highest sublease availability since the onset of the pandemic. With many sublessor tenants indicating they don't intend to reoccupy, some percentage of this availability will likely translate into direct vacancy in the coming quarters.

PRICING: Asking Rents Remain Steady in Q3 2022

The Denver Metro average asking rate exhibited modest growth in the third quarter 2022, ending September 2022 at \$31.62 per square foot (psf) on an overall basis. This represented a \$0.26-psf increase QOQ and an \$0.92-psf increase YOY. Though average asking rents in the CBD experienced a slight contraction in the second quarter 2022, the third quarter 2022 reported an overall average rent of \$38.54 psf in the CBD, an increase of \$0.28 psf QOQ. Outside the CBD, the average asking rate rose by \$0.16 psf to end the third quarter 2022 at an overall rate of \$27.92 psf. On a direct basis, average asking rates in the CBD remained relatively flat, increasing by \$0.09 psf to end the third quarter 2022 at \$31.95 psf. The Suburban markets demonstrated a larger QOQ increase in direct rents, with the average Non-CBD asking rate rising \$0.40 psf QOQ to end the third quarter 2022 at \$28.16 psf.

OFFICE SPACE DEMAND & DELIVERIES



DIRECT VACANCY & ASKING RENT



DENVER, COLORADO



Office Q3 2022

ACTIVITY: Leasing Activity Continues to Cool Off in Q3 2022

Metro-wide leasing activity experienced a marked slowdown in the third quarter 2022, with just over 915,000 square feet (sf) on leases signed during the quarter. This represented a nearly 96.0% decrease in leasing volume QOQ, bringing the 2022 year-to-date (YTD) leasing activity total to approximately 5.3 million square feet (msf). While 2022 continues to outpace 2021 in terms of leasing activity, the drop-off in activity from the first quarter 2022 to the third is a telling indication of how the current economic uncertainty seems to have influenced tenant behavior. Every submarket experienced a QOQ decrease in activity of 40.0% or more with the exception of Boulder, which was the only market to record an increase in activity QOQ. While activity in the earlier part of the year was more heavily weighted towards Class A space, activity in the third quarter 2022 was more fairly-distributed, with Class A accounting for approximately 438,000 sf of activity and Class B accounting for just under 420,000 sf. The largest new lease of the quarter was Bain & Company's 38,800-sf lease at Block 162, which continues to perform well despite the more subdued leasing landscape.

ABSORPTION: Net Absorption Improves QOQ but Remains Negative

Absorption across the Denver Metro continues to be heavily impacted by delayed occupancies of leases signed in previous quarters, with seven of the top ten largest expected move-ins for third quarter 2022 being delayed to late 2022 or early 2023. As a result, the third quarter 2022 recorded just over 961,000 sf in negative net absorption market-wide. This represented an 8.6% increase in net absorption QOQ and brought the 2022 YTD total for metro-wide net absorption to negative 1.7 msf. The largest single-building move-out in the third quarter 2022 occurred at Waterview IV in the Southwest submarket, where Lockheed Martin and United Launch Alliance vacated a collective 150,000 sf. In comparison, the largest move-in of the quarter was Blue Origin, which occupied just over 35,000 sf at Campus 470, also in the Southwest submarket.

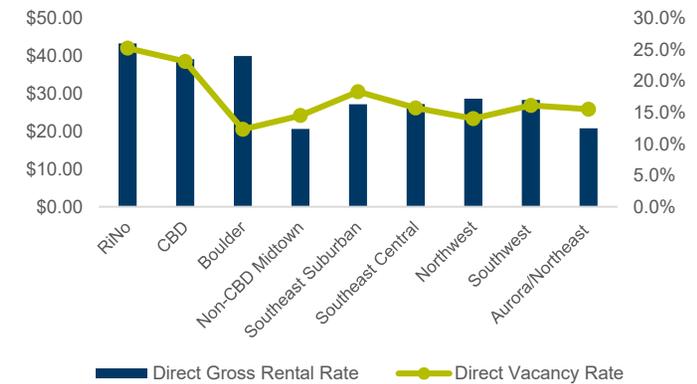
CONSTRUCTION: New Development in Cherry Creek Brings Pipeline to 2.1 MSF

New construction activity was relatively light in the third quarter 2022, with no buildings delivering. The only project to break ground was a Class A building at 320 Fillmore Street in Cherry Creek. The building—which is being developed by Midwest Property Group and has been branded Fillmore @ Third—will feature 60,000 sf of office space and an additional 11,000 sf of ground-floor retail. Given the low vacancy and increasingly-limited supply, new construction product has typically performed well in the Cherry Creek submarket, attracting healthy pre-leasing activity and often delivering with little to no vacancy. With the addition of Fillmore @ Third, the construction pipeline has grown to just under 2.1 msf, with no more deliveries slated for 2022.

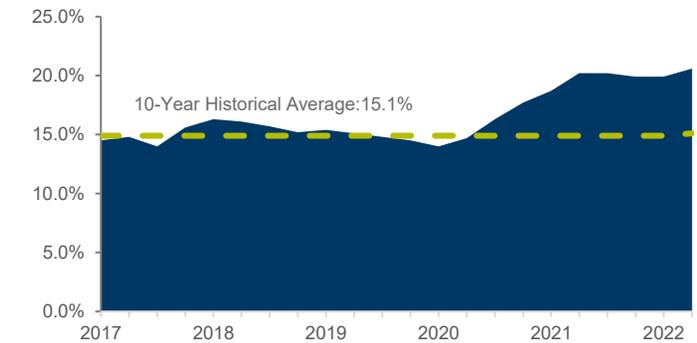
OUTLOOK

- Though pandemic-related concerns have begun to abate and return-to-office initiatives are on the rise, recessionary concerns have created new headwinds for the office leasing market and will likely result in a further quarters of depressed leasing activity.
- Move-outs continue to outweigh relocations and net new leasing activity. With rising sublease availability, it is likely that vacancy will continue to rise throughout the balance of 2022 and into early 2023.
- Asking rates continue to hold steady, but as overall conditions remain challenging, free rent and tenant finish concessions will continue to climb.
- New office construction remains concentrated in the urban submarkets like RiNo and the CBD, with the exception being Cherry Creek, which continues to perform well due to limited new supply and sustained tenant demand.

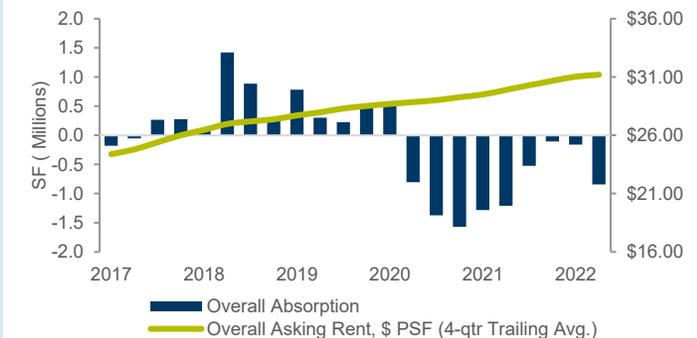
SUBMARKET COMPARISON



OVERALL VACANCY VS. HISTORICAL AVERAGE



ABSORPTION VS. OVERALL ASKING RENT



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 | 6,066,058 | 745,556 | 104,917 | 14.0% | -6,009 | 25,142 | 199,356 | 313,478 | \$38.82 | \$45.44 |
| Midtown (Non-CBD) | 3,808,569 | 551,315 | 166,777 | 18.9% | -106,777 | -182,509 | 107,909 | 0 | \$27.73 | \$38.32 |
| CBD | 32,173,513 | 7,425,628 | 1,289,691 | 27.0% | -289,394 | -930,641 | 1,166,224 | 704,036 | \$38.54 | \$44.23 |
| RiNo | 2,103,259 | 529,399 | 53,832 | 27.7% | -10,310 | 54,198 | 272,788 | 642,786 | \$43.18 | \$46.10 |
| Aurora/Northeast | 7,723,212 | 1,193,473 | 145,088 | 17.3% | 22,329 | -3,985 | 294,586 | 106,527 | \$21.35 | \$23.86 |
| Northwest | 14,542,496 | 2,042,113 | 274,650 | 15.9% | -43,287 | -47,436 | 592,223 | 0 | \$28.45 | \$31.27 |
| Southeast Suburban | 33,857,706 | 6,189,623 | 1,278,697 | 22.1% | -466,814 | -587,844 | 1,705,951 | 118,064 | \$28.03 | \$30.63 |
| Southeast Central | 11,042,072 | 1,727,736 | 181,025 | 17.3% | -61,972 | -80,526 | 617,281 | 170,712 | \$27.10 | \$31.42 |
| Southwest | 9,375,550 | 1,508,334 | 60,555 | 16.7% | 1,155 | 19,774 | 408,866 | 0 | \$22.61 | \$26.32 |
| Denver Totals | 120,692,435 | 21,913,177 | 3,555,232 | 21.1% | -961,079 | -1,733,827 | 5,365,184 | 2,055,603 | \$31.62 | \$35.54 |

*Rental rates reflect full service gross asking. U/C total is not reflective of the U.S. Market Table

KEY LEASE TRANSACTIONS Q3 2022

| PROPERTY | SUBMARKET | TENANT | RSF | TYPE |
|--|-----------------------|------------------------------|-----------|-----------|
| 555 17 th Street | CBD (Midtown) | Holland & Hart | 167,600** | Renewal |
| Fiddlers Green Center II - 6501 S. Fiddlers Green Circle | SES (Greenwood Plaza) | Fidelity Real Estate Company | 144,100** | Renewal |
| 1900 16 th Street | CBD (LoDo) | Analysis Group | 40,860** | Renewal |
| Block 162 - 675 15 th Street | CBD (Midtown) | Bain & Company | 38,800 | New Lease |
| Republic Plaza - 370 17 th Street | CBD (Uptown) | Scope Technologies | 25,200 | Sublease |
| Metropoint I - 4600 S. Ulster Street | SES (DTC) | USI Insurance | 21,900 | New Lease |

**Renewals not included in leasing statistics

KEY SALES TRANSACTIONS Q3 2022

| PROPERTY | SUBMARKET | BUYER / SELLER | RSF | PRICE/SF |
|--|---------------------------|--|---------|-------------|
| 380-390 Interlocken Crescent | NW (Northwest Corridor) | Urban Renaissance Group / Franklin Street Properties | 480,000 | \$213.50/SF |
| Stanford Place III - 4582 S. Ulster Street | SES (DTC) | Menashe Properties / Angelo Gordon & Co. | 365,000 | \$137.00/SF |
| Cole Center at Denver West - 1707 Cole Boulevard | NW (West Denver) | North Beacon Capital / Bancroft Capital | 167,200 | \$196.00/SF |
| 210 University Boulevard | SE Central (Cherry Creek) | Corum Real Estate Group JV Koch / KBS Realty | 140,800 | \$481.00/SF |

KEY CONSTRUCTION STARTS Q3 2022

| PROPERTY | SUBMARKET | MAJOR TENANT(S) | RSF | OWNER / DEVELOPER |
|--|---------------------------|-----------------|--------|------------------------|
| Fillmore @ Third - 320 Fillmore Street | SE Central (Cherry Creek) | N/A | 60,000 | Midwest Property Group |

DENVER, COLORADO

Office Q3 2022

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