

CLASS A

Inventory: 21.8 msf

Vacancy: 18.0%

Leasing Activity YTD: 127.8 ksf

Average Asking Rent: \$41.72 psf

CLASS B

Inventory: 7.4 msf

Vacancy: 27.6%

Leasing Activity YTD: 38.2 ksf

Average Asking Rent: \$33.13 psf

CLASS C

Inventory: 1.9 msf

Vacancy: 24.1%

Leasing Activity YTD: 14.0 ksf

Average Asking Rent: \$29.12 psf

OVERALL

Inventory: 31.1 msf

Vacancy: 20.7%

Leasing Activity YTD: 180.0 ksf

Average Asking Rent: \$37.52 psf

MARKET FACT**37.3%**

Of total available sublease space was concentrated in the CBD at the end of Q1 2021.

CENTRAL BUSINESS DISTRICT

Vacancy: Denver's Central Business District (CBD) office market continued to exhibit increasing overall vacancy at the end of the first quarter 2021. Direct vacancy increased 170 basis-points (bps) from the fourth quarter 2020 to the first quarter 2021, increasing to 16.0%. This increase was partially attributed to prior leases executed that downsized, such as the Internal Revenue Service (IRS) at 1999 Broadway and Wells Fargo at 1700 Lincoln Street (Wells Fargo Center) in the Uptown micro-market, as well as the delivery of the newly renovated 1490 Curtis Street (The Link), which delivered 100% vacant. All classes recorded increases in direct vacancy quarter-over-quarter, with Class C recording a 260 bps increase to 21.3%, Class A product increasing 180 bps to 13.0% and Class B recording the smallest increase of 130 bps to 23.5%. Overall vacancy recorded a larger uptick of 180 bps to 20.7% quarter-over-quarter, reaching some of the highest levels on record since the Great Financial Crisis. Vacancy is expected to continue to increase throughout the remainder of 2021, albeit less severe from the large uptick recorded over the prior year.

Rental Rate: Overall gross rental rates in the CBD recorded a decrease of approximately 1.0% from the fourth quarter 2020 to the first quarter 2021, closing at \$37.52 per square foot (psf). Despite this decrease quarter-over-quarter, CBD overall gross rental rates have remained relatively flat year-over-year with rental rates decreasing a mere \$0.04 psf from \$37.56 psf, one year ago. Like overall rates, direct gross rental rates recorded a decrease quarter-over-quarter, albeit more marginal, decreasing roughly 0.5% to \$38.02 psf. Rental rates are expected to grow in the near term as new construction delivers with lower preleasing than what has been exhibited in prior years. Even with the delivery of these buildings, CBD gross rental rates are expected to decrease over the next 12-18 months as the supply and demand imbalance persists. Class B and C product are expected to be the most impacted, as flight-to-quality is still present in the CBD office market.

Leasing: Leasing activity was down compared to the roughly 334,200 square feet (sf) leased during the fourth quarter 2020, with approximately 180,000 sf leased throughout the first quarter 2021. The most notable lease that occurred during the first quarter 2021 was Sherman & Howard's new 59,300-sf lease at Block 162, representing the first lease signed at the under-construction development and will move Sherman & Howard's headquarters from 633 17th Street (Colorado Plaza Tower I). The second largest deal executed in the CBD was Perkins Coie's 35,900-sf renewal at 1900 16th Street in LoDo. Rounding out the top three was Wellborn, Sullivan, Meck & Tooley's 22,000-sf sublease at 1401 Lawrence street.

Absorption: Net absorption remained in the red for the fourth consecutive quarter with just north of -426,100 sf given back to the market during the first quarter 2021. All classes recorded negative net absorption throughout the first quarter 2021, with Class A product accounting for approximately 45.7% of negative absorption. This trend is expected to continue for the foreseeable future, albeit much less severe than what has been exhibited over the prior four quarters, as occupiers start to re-introduce their workforce into the workplace.

Construction: No new developments delivered during the first quarter 2021, as delivery timelines have continued to be pushed back. One renovation did deliver to the CBD during the first quarter 2021. The aforementioned building at 1490 Curtis, better known as The Link, completed its renovation during the first quarter 2021, bringing approximately 210,200 sf of Class A product to the Midtown micro-market. Four buildings – Block 162, Market Station, McGregor Square and One Platte – remain under construction, totaling roughly 1.1 million square feet (msf) and were 24.0% preleased at the end of the first quarter 2021. Block 162, Market Station and McGregor Square are expected to deliver during the second quarter 2021, with delivery of One Platte slated to deliver during the first quarter 2022. As these projects deliver it is expected that construction will slow greatly over the next 24-36 months, with very little - if any - new projects breaking ground in the CBD during that timeframe.

CBD DENVER

Office Q1 2021

TOP SPACE ADDITIONS

ADDRESS	FLOORS	SIZE (SF)	TYPE	SUBMARKET
1515 Arapahoe Street (Park Central)	7th-10th	95,593	Direct	Midtown
2420 17 th Street (The Lab)	3rd-4th	50,214	Direct	LoDo/CPV
1625-1631 Wazee Street (Paper Bldg.)	1st-4th	48,480	Direct	LoDo/CPV

TOP LEASES

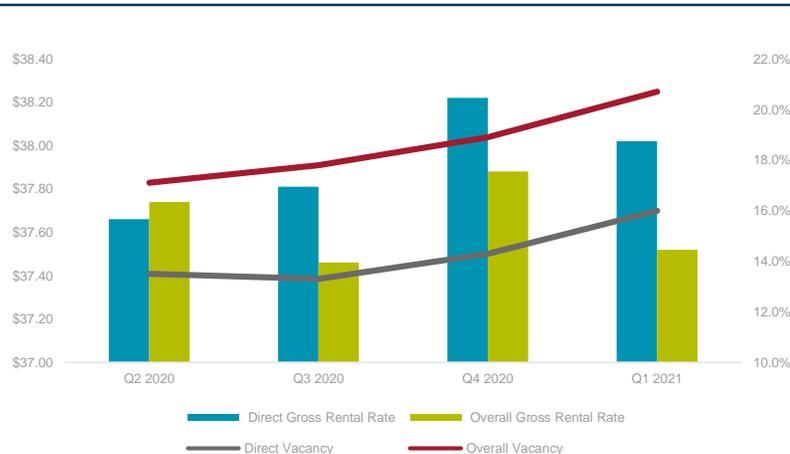
ADDRESS	TENANT	SIZE (SF)	TYPE	SUBMARKET
675 16th Street (Block 162)	Sherman & Howard	59,292	New Lease	Midtown
1900 16th Street	Perkins Coie	35,891	Renewal	LoDo/CPV
1401 Lawrence Street	Welborn, Sullivan, Meck & Tooley	22,039	Sublease	Midtown

TOP INVESTMENT SALES

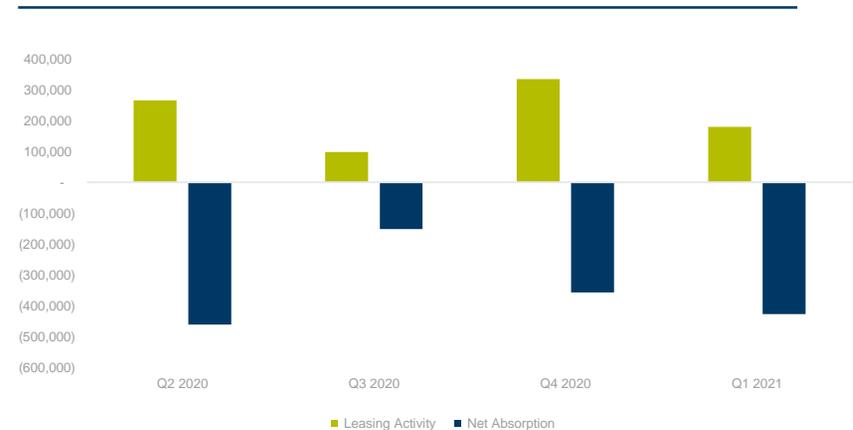
ADDRESS	BUYER	SIZE (SF)	SALE PRICE	\$ PSF
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None

RENTAL RATE VS. VACANCY RATE

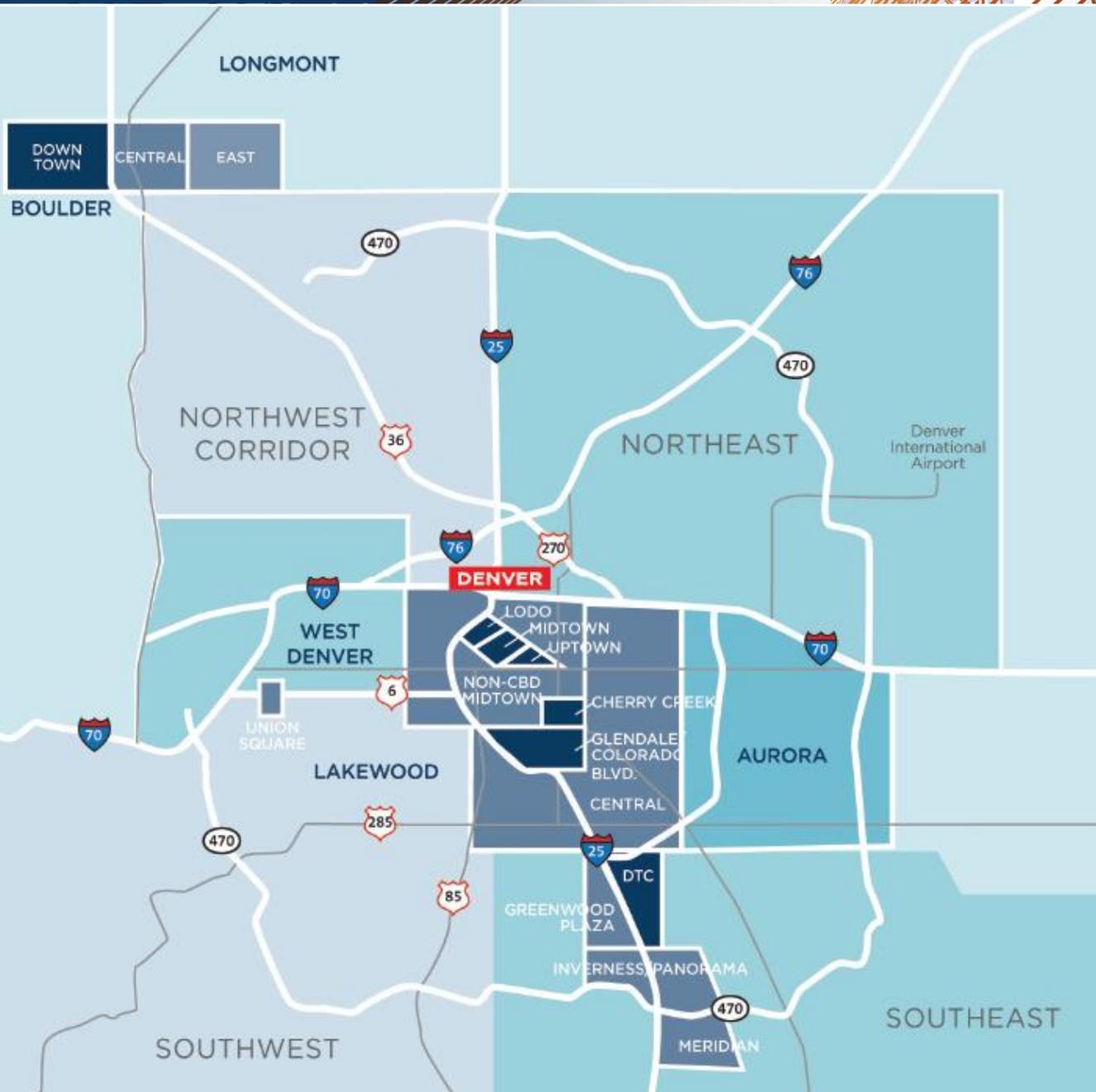


LEASING ACTIVITY VS. ABSORPTION



CBD DENVER

Office Q1 2021



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