

**CLASS A**

Inventory: 22.7 msf

Vacancy: 21.7%

Leasing Activity YTD: 284,600 sf

Average Asking Rent: \$42.99 psf

CLASS B

Inventory: 7.4 msf

Vacancy: 30.0%

Leasing Activity YTD: 101,000 sf

Average Asking Rent: \$34.28 psf

CLASS C

Inventory: 2.0 msf

Vacancy: 25.5%

Leasing Activity YTD: 37,300 sf

Average Asking Rent: \$29.65 psf

OVERALL

Inventory: 32.0 msf

Vacancy: 23.8%

Leasing Activity YTD: 422,900 sf

Average Asking Rent: \$39.17 psf

MARKET FACT

896,900 sf

of office space delivered in Q2 2021,
32.7% of which is pre-leased.

CENTRAL BUSINESS DISTRICT

Vacancy: Denver's CBD witnessed a sizable increase in vacancy in the second quarter 2021 that was largely attributed to the completion of new speculative construction that delivered vacant. Three new projects were completed, adding nearly 900,000 square feet to inventory but only one tenant occupied during the quarter with several others slated to take occupancy in the second half of 2021. Overall CBD vacancy rose 310 basis points (bps) quarter-over-quarter (QoQ) to 23.8%. Direct vacancy increased 340 bps QoQ to 19.4%. Class A vacancy reached 21.7%, up from 18.0% a quarter earlier, while Class B vacancy rose to 30.0% from 27.6%. On the submarket level, vacancies were up in the three submarkets. In both LoDo and Midtown, where new construction delivered, overall vacancy rose 370 and 440 bps to 18.2% and 27.3%, respectively. In the Uptown submarket, vacancy was up slightly on the quarter and increased to 23.1%. Vacancy has risen sharply due to both negative absorption and the delivery of new construction and could increase slightly in the second half of the year due to more right-sizing among tenants as fewer employees return to offices on a full-time basis.

Rental Rate: The delivery of new construction in the CBD also had a noticeable impact on average asking rents, with the overall average rising to \$39.17 per square foot (psf) gross or an increase of 4.4% QoQ. On a direct basis, rents rose to an average of \$40.08 psf gross, growth of 5.4% QoQ. Class A direct rents jumped to an average of \$44.61 psf, while Class B direct rents increased to an average of \$34.72 psf. Despite the upswing in vacancy and sublease availability throughout the pandemic, most landlords have held firm on face rents in favor of higher concessions. The CBD's high vacancy and abundance of sublease space, should they remain elevated, could be catalysts for future rent decreases. If the demand recovery drags on, landlords could be forced to drop rates to achieve occupancy growth.

Leasing: CBD leasing activity accelerated in the second quarter 2021, rising to 422,940 square feet of new leases and expansions. This represents an 135% increase against activity in the first quarter and even slightly edges out the amount seen in the first quarter of 2020, pre-pandemic. Contentful's sublease for just over 67,000 sf across three floors of former Molson Coors space at 1801 California Street was the quarter's largest lease. Charlotte's Web subleased the remaining floor from Molson Coors at the same building during the quarter as well. Amazon's AWS division leased 49,100 sf at 1515-1530 Wynkoop Street, the largest direct lease of the quarter. Other notable leases included an undisclosed tech company leasing a floor at Republic Plaza and MotoRefi subleasing a floor at 717 17th St.

Absorption: Absorption remained negative again in the second quarter 2021 but showed marked improvement against levels seen during the previous six months. The CBD recorded 303,400 sf of negative absorption, below the previous quarter's negative 426,100 sf. Roughly three-fourths of the quarter's absorption took place in the Midtown submarket, where WeWork shuttered its space at 821 17th Street and several oil and gas companies, including QEP Resources, continued to give back space. By class, the Class B subtype accounted for the largest proportion of negative absorption in the CBD at 56.6%. The Class A subtype accounted for a smaller share this quarter (34.1%), with a total of negative 103,400 sf. While expectations of more negative absorption remain, more workers returning to offices will likely support more moderate contractions in the second half of the year.

Construction: Three new buildings were completed in the CBD, namely Block 162 at 675 15th Street, McGregor Square at 1901 Wazee Street and Market Street Station at 1601 Market Street. Collectively they span 896,900 sf of office space and were 32.7% pre-leased at the end of the second quarter. During the second quarter 2021, one new project broke ground in the CBD. The Current located at 3615 Delgany Street in RiNo, a joint venture between Schnitzer West and Craft Companies, is slated to deliver roughly 231,000 sf of office space by mid-2023. This building along with One Platte at 1701 Platte Street are the only CBD projects currently underway, with neither of them yet to secure any pre-leasing. Expectations of a slowing construction pipeline will persist over at least the next 12 months given the +20.0% vacancy and abundant options in newly constructed and renovated buildings across the CBD.

CBD DENVER

Office Q2 2021

TOP SPACE ADDITIONS

ADDRESS	FLOORS	SIZE (SF)	TYPE	SUBMARKET
370 17th Street (Republic Plaza)	22nd-27th	146,808	Direct	Uptown
1001 17th Street	12th-16th	131,706	Direct	Midtown
1050 17 th Street (Independence Plaza)	8th-12th	96,170	Sublease	Midtown

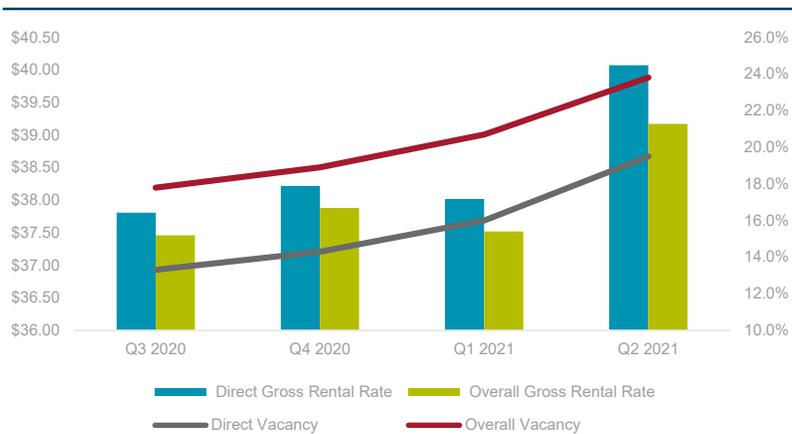
TOP LEASES

ADDRESS	TENANT	SIZE (SF)	TYPE	SUBMARKET
1801 California Street	Contentful	67,039	Sublease	Midtown
1515-1530 Wynkoop Street	Amazon (AWS)	49,066	New Lease	LoDo/CPV
717 17th Street (Johns Manville Plaza)	MotoRefi	23,773	Sublease	Midtown

TOP INVESTMENT SALES

ADDRESS	BUYER	SIZE (SF)	SALE PRICE	\$ PSF
1615 Platte Street (The Circa)	Beacon Capital Partners	112,979	\$60,000,000	\$531

RENTAL RATE VS. VACANCY RATE

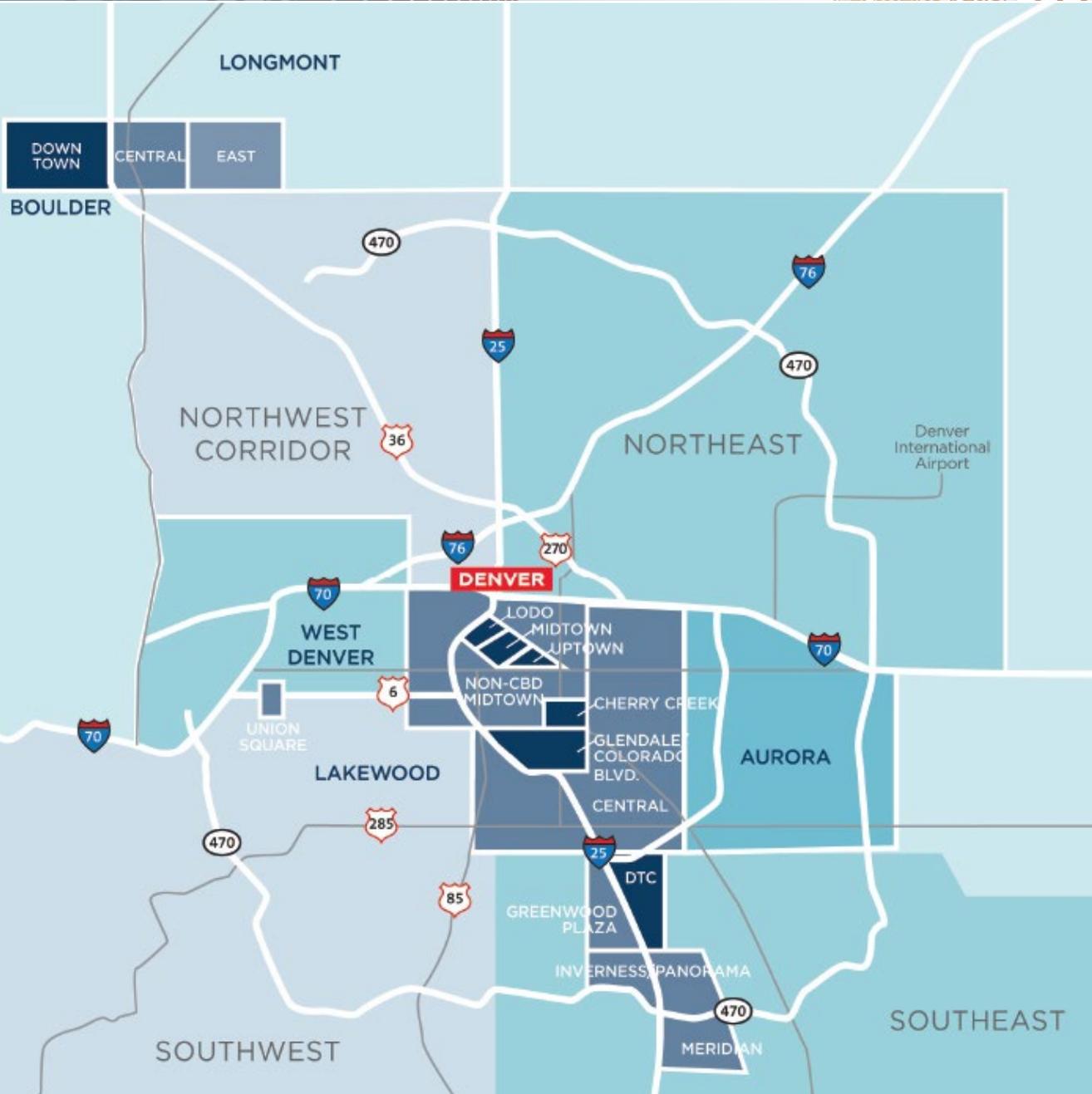


LEASING ACTIVITY VS. ABSORPTION



CBD DENVER

Office Q2 2021



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