

CLASS A

Inventory: 23.1 msf

Vacancy: 21.6%

Leasing Activity YTD: 1.5 msf

Average Asking Rent: \$42.36 psf

CLASS B

Inventory: 7.0 msf

Vacancy: 32.2%

Leasing Activity YTD: 369,800 sf

Average Asking Rent: \$33.28 psf

CLASS C

Inventory: 2.0 msf

Vacancy: 20.8%

Leasing Activity YTD: 114,000 sf

Average Asking Rent: \$31.17 psf

OVERALL

Inventory: 32.0 msf

Vacancy: 23.8%

Leasing Activity YTD: 1.9 msf

Average Asking Rent: \$38.75 psf

MARKET FACT**62.2%**increase in new leasing activity in 2021 with
over 1.9 million square feet transacted**CENTRAL BUSINESS DISTRICT****Vacancy**

Vacancy in the CBD has begun to stabilize after rising considerably during the Covid-19 pandemic. Overall vacancy ended 2021 at 23.8%, nearly flat since midyear but a 490-basis-point (bps) increase from a year ago. Direct vacancy experienced a similar increase, rising 600 bps in 2021 to 20.3%, due to tenants shedding office space and the delivery of new construction. Vacancy among both Class A and B buildings experienced increases of 520 bps and 620 bps, respectively, in 2021. The increase in Class A vacancy is largely explained by the delivery of new vacant construction, while the increase in Class B is directly correlated to tenants giving back space or upgrading to Class A buildings.

Rental Rate

The CBD's average asking rent trended higher in 2021, reaching \$38.75 per square foot (psf) gross in the fourth quarter 2021. This represents a year-over-year (YOY) increase of 2.3% from \$37.88 psf. On a direct basis, asking rents averaged \$39.60 psf at the end of 2021, an increase of 3.6% year-over-year. Rental growth over the past 12 months is attributed to a combination of factors including the delivery of new construction, the uptick in Class A vacancy with higher asking rents, and resilience among the majority of landlords to lower asking rents. Class A asking rents averaged \$42.36 psf in the fourth quarter 2021, an increase of 0.6% YOY, while Class B asking rents averaged \$33.28 psf, an increase of 0.3% YOY.

Leasing

New leasing activity reached nearly 1.3 million square feet (msf) in the second half of 2021, nearly doubling the 652,000 sf recorded in the first half of 2021. On an annual basis, leasing activity showed a 62.2% improvement in 2021 after reaching over 1.9 msf. Flight-to-quality among occupiers was a prevailing trend in 2021, with Class A space accounting for 75.0% of total activity. Nearly 1.5 msf of Class A space was leased compared to 370,000 sf of Class B space. After nearly a three-year peak in activity last quarter that included four new direct leases each for more than 50,000 square feet, fourth quarter 2021 activity was highlighted by transactions in the 20,000 to 40,000 square foot range, including an expansion by Gusto at 1515 Arapahoe Street and new leases by Great Western Oil & Gas at 1001 17th Street, Summit Materials at 1801 California Street and Foley & Lardner at 1400 16th Street.

Absorption

The pace of negative net absorption in the CBD has continued to ease, with the fourth quarter 2021 seeing a contraction of just negative 16,300 sf. Remove Sherman & Howard's downsize and relocation to Block 162 from the equation and the CBD would have realized its first quarter of growth since the first quarter of 2020. Net absorption in the second half of 2021 totaled negative 75,500 sf, a significant improvement against the negative 705,400 sf seen in the first half of 2021. 2021's total of negative 781,000 sf was slightly below the negative 809,800 sf seen in 2020. By Class, negative net absorption was overwhelmingly concentrated in Class B space, accounting for 82.7% of 2021's total. The CBD's rebound in activity and moderating sublease availability over the past six months will support more sustained positive absorption in 2022.

Construction

2021 saw the delivery of three new construction projects in the CBD, namely McGregor Square, Market Station and Block 162, along with the renovation of The Link at 1490 Curtis Street, which collectively delivered 1.1 msf of new Class A product. By the end of 2021, 1701 Platte Street (One Platte) was the sole office project currently under construction. The 239,000-square-foot building is half preleased and slated to deliver in the first quarter 2022. The construction pipeline is expected to increase next year after a consortium of three investors recently secured funding for 1900 Lawrence, a 30-story 700,000-square-foot office tower that is expected to break ground in the first half of 2022.

CBD DENVER

Office Q4 2021

MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION	YTD OVERALL ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)	UNDER CNSTR (SF)	OVERALL AVG ASKING RENT (ALL CLASSES)	OVERALL AVG ASKING RENT (CLASS A)
LoDo	7,929,009	192,825	880,480	13.5%	215,309	197,936	675,610	238,811	\$48.36	\$54.41
Midtown	14,787,893	757,476	3,553,644	29.2%	-100,727	-673,220	947,235	0	\$39.35	\$43.28
Uptown	9,325,436	195,770	2,059,052	24.2%	-130,877	-305,667	313,525	0	\$34.46	\$37.01
CBD TOTALS	32,042,338	1,146,071	6,493,176	23.8%	-16,295	-780,951	1,936,370	238,811	\$38.75	\$42.36

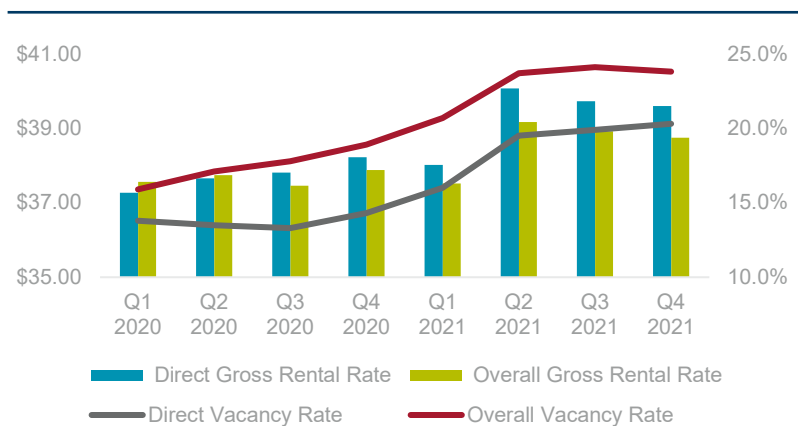
TOP LEASES

ADDRESS	TENANT	SIZE (SF)	TYPE	SUBMARKET
1515 Arapahoe Street (Park Central)	Gusto	36,368	New Lease	Midtown
1001 17th Street	Great Western Oil & Gas	35,088	New Lease	Midtown
1801 California Street	Summit Materials	33,191	New Lease	Midtown
1400 16th Street (16 Market Square)	Foley & Lardner LLP	28,266	New Lease	Lodo
1900 16th Street	RubinBrown	23,763	New Lease	Lodo

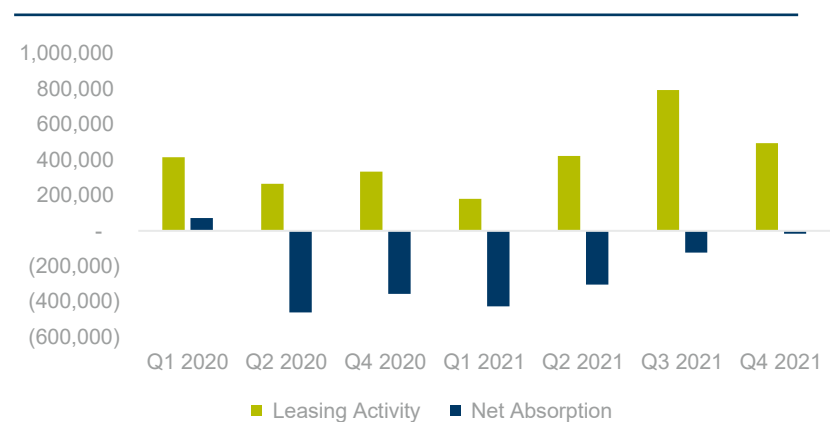
TOP INVESTMENT SALES

ADDRESS	BUYER SELLER	SIZE (SF)	SALE PRICE	\$ PSF
N/A				

RENTAL RATE VS. VACANCY RATE



LEASING ACTIVITY VS. ABSORPTION

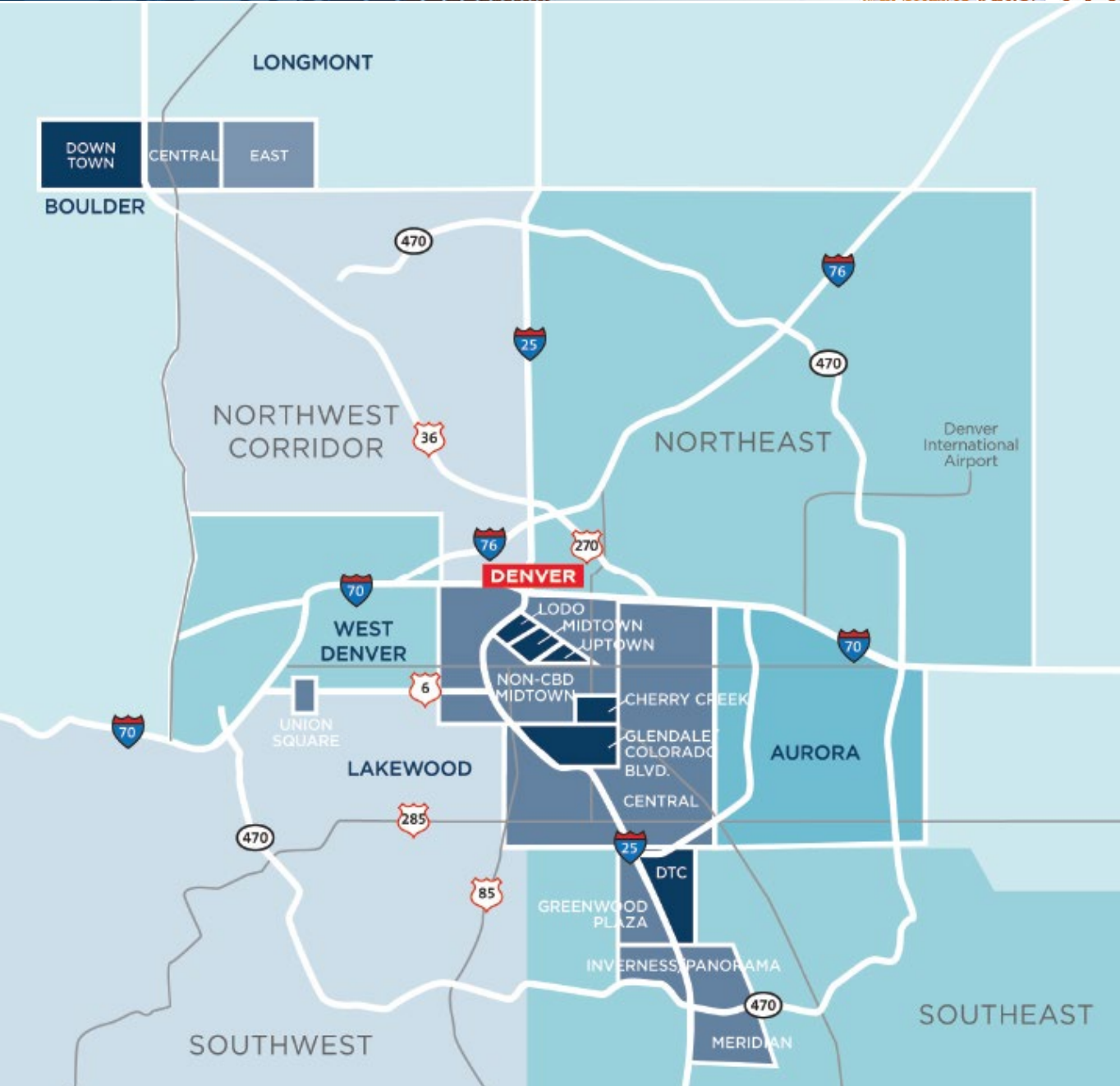


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