

CLASS A

Inventory: 21.6 msf

Vacancy: 19.3%

Leasing Activity YTD: 106.2 ksf

Average Asking Rent: \$30.53 psf

CLASS B

Inventory: 11.5 msf

Vacancy: 20.8%

Leasing Activity YTD: 150.5 ksf

Average Asking Rent: \$23.36 psf

CLASS C

Inventory: 833.3 ksf

Vacancy: 9.1%

Leasing Activity YTD: 2.3 ksf

Average Asking Rent: \$16.66 psf

OVERALL

Inventory: 33.9 msf

Vacancy: 19.6%

Leasing Activity YTD: 259.0 ksf

Average Asking Rent: \$27.61 psf

MARKET FACT**1.7MSF**

Available Sublease SF in the SES market at the end of Q1 2021.

SOUTHEAST SUBURBAN

Vacancy: The Southeast Suburban (SES) office market exhibited a 70 basis-point (bps) increase in overall vacancy from the fourth quarter 2020 to the first quarter 2021, closing at 19.6%. This increase is largely due to all classes recording an uptick in overall vacancy quarter-over-quarter as well as the approximate 14.0% increase in vacant sublease space, which increased to roughly 892,600 square feet (sf) at the end of the first quarter 2021. Direct vacancy also recorded an uptick from the fourth quarter 2020 to the first quarter 2021, albeit marginally, increasing 30 bps to 16.9% to close out the first quarter 2021. The catalyst to increased direct vacancy rates was Class B product, which increased 60 bps quarter-over-quarter to 19.8%.

Rental Rate: Direct gross rental rates remained relatively flat quarter-over-quarter, increasing \$0.03 per square foot (psf) to \$27.79 psf at the end of the first quarter 2021. Even with this marginal increase on a quarterly basis, year-over-year growth has been robust, increasing approximately 5.3% from \$26.40 psf, one year ago. This catalyst to rental rate growth over the past year has largely been top-tier Class A space coming back to the market, as well as new construction delivering. Coupled with landlords remaining resilient to reduce face rates during the current economic downturn, the SES office market has recorded some of the strongest year-over-year rate growth in Metro Denver. Overall gross rental rates also remained relatively flat from the fourth quarter 2020 to the first quarter 2021, increasing \$0.11 psf to \$27.61 psf at the end of the first quarter. Even with this marginal growth it is expected that SES rental rates will decrease over the next twelve months, as landlords start to entertain lowering face rates to re-align with demand.

Leasing: Leasing activity was sluggish to start off 2021 with just south of 259,000 sf leased. Leasing activity was concentrated in Class B product, which accounted for roughly 58.1% of first quarter 2021 SES leasing activity. The largest lease executed during the first quarter 2021 in the SES office market was Regus's 33,000-sf renewal at the Point at Inverness (8310 S. Valley Highway) in Inverness. The second notable lease executed during the first quarter 2021 was Moody Insurance's 26,500-sf renewal at Stanford Place One (8055 E. Tufts Avenue) in the Denver Tech Center. Rounding out the top three leases was Virtela Technology Services' 23,500-sf renewal and expansion at Triad Orchard Station South (5680 Greenwood Plaza Boulevard) in Greenwood Village. As the state continues to work through herd immunity and occupiers get more clarity on the future of the office, expect for leasing activity to continue tick upwards. Expectations will need to be tamed when comparing to pre-pandemic levels, but the SES office market is well-situated to see leasing velocity continue to increase throughout the remainder of 2021 and into 2022.

Absorption: Net absorption remained negative for the fourth consecutive quarter with approximately -230,400 sf of space coming back to the SES office market during the first quarter 2021. All classes recorded negative absorption through the first quarter 2021, with Class A product recording the highest amount at roughly -154,000 sf of net absorption. This trend is expected to continue for the foreseeable future, albeit less than what has been exhibited over the prior four quarters.

Construction: No new developments broke ground during the first quarter 2021, leaving the SES office market with no projects under construction, as tracked by Cushman and Wakefield. The SES office market currently has two owner-user developments under construction for approximately 521,900 sf. Kiewit is currently developing its two-building 391,900-sf Regional Headquarter campus in Lone Tree, which is slated to start to deliver during the second quarter 2021. The other development currently under construction is Vectra Bank's new headquarters at 7222 E. Layton Avenue in the Belleview Station transit-oriented development. This 130,000-sf development is currently expected to deliver during the winter of 2022 and will move Vectra Bank's headquarters from Colorado Center at 2000 S. Colorado Street. Speculative development is expected to remain low for the foreseeable future, as supply has continued to outweigh demand. As this continues, expect for little to no projects to break ground in the SES office market over the next 12 months.

SES DENVER

Office Q1 2021

TOP SPACE ADDITIONS

ADDRESS	FLOORS	SIZE (SF)	TYPE	SUBMARKET
7958 S. Chester Street (Waterview 4)	1st-6th	167,916	Direct	Inverness/Panorama
11551 E. Arapahoe Road	1st-2nd	85,935	Direct	Arapahoe Road
9191 S. Jamaica Street	4th-5th	23,459	Direct	Meridian

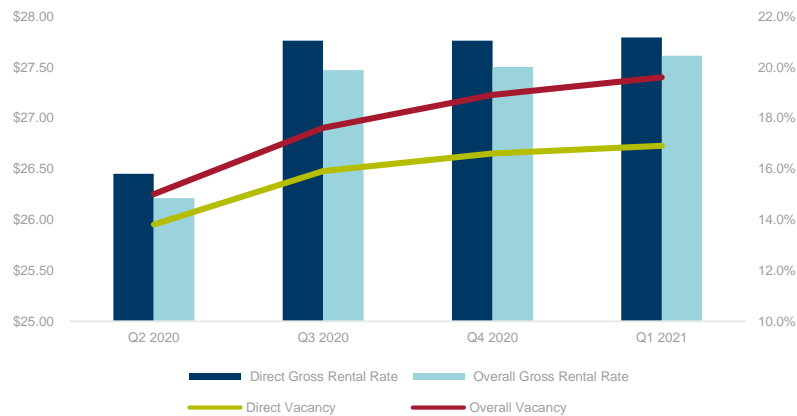
TOP LEASES

ADDRESS	TENANT	SIZE (SF)	TYPE	SUBMARKET
8310 S. Valley Highway (Point at Inverness)	Regus	32,946	Renewal	Inverness/Panorama
8055 E. Tufts Avenue. (Stanford Place 1)	Moody Insurance	26,518	Renewal	DTC
5680 Greenwood Plaza Boulevard (Triad Orchard Station South)	Virtela Technology Solutions	23,459	Renewal/Expansion	Greenwood Village

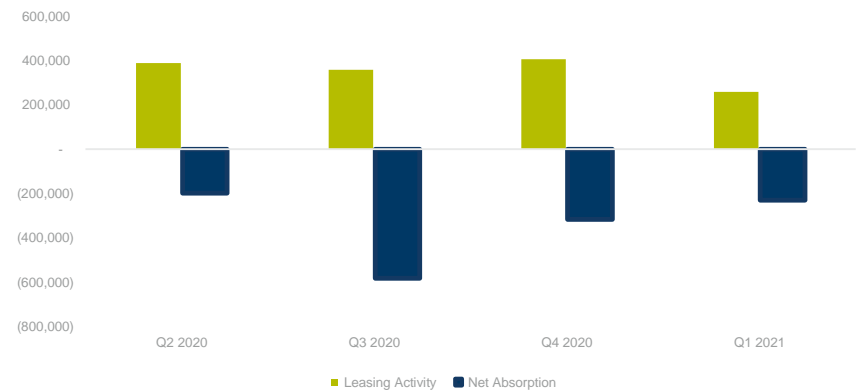
TOP INVESTMENT SALES

ADDRESS	BUYER	SIZE (SF)	SALE PRICE	\$ PSF
4601 S. Syracuse Street	Miller Global JV Principal Real Estate	306,101	\$74.3M	\$243
10825 E. Geddes Street (INOVA at Dry Creek 2)	Libitzky Properties	222,070	\$62.3M	\$286

RENTAL RATE VS. VACANCY RATE



LEASING ACTIVITY VS. ABSORPTION



SES DENVER

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