

**CLASS A**

Inventory: 21.5 msf

Vacancy: 20.2%

Leasing Activity YTD: 405,400 sf

Average Asking Rent: \$30.65 psf

**CLASS B**

Inventory: 11.5 msf

Vacancy: 21.3%

Leasing Activity YTD: 481,800 sf

Average Asking Rent: \$23.34 psf

**CLASS C**

Inventory: 833,300 sf

Vacancy: 9.6%

Leasing Activity YTD: 13,400 sf

Average Asking Rent: \$17.05 psf

**OVERALL**

Inventory: 33.9 msf

Vacancy: 20.3%

Leasing Activity YTD: 898,000 sf

Average Asking Rent: \$27.88 psf

**MARKET FACT****640,000sf**

Leasing activity in Q2 2021, the highest level since 4Q 2019.

**SOUTHEAST SUBURBAN**

**Vacancy:** Overall vacancy in the Southeast Suburban (SES) submarket increased at a similar pace in the second quarter 2021 as that witnessed in the previous quarter. Overall vacancy climbed to 20.3%, another 70 basis-point (bps) increase quarter-over-quarter (QoQ). Both direct and sublease vacancy trended upward, with direct vacancy increasing 30 bps to 17.2%. For the second quarter in a row, the catalyst for the increase in direct vacancy was the Class B subtype, where direct vacancy increased 60 bps QoQ to 20.4%. Class A direct vacancy was largely stable, rising 10 bps in the second quarter to 15.8%. The increase in sublease space across the wider market continues to propel vacancy upward. The SES submarket saw a notable uptick in sublease vacancy, which increased from 2.6% in the first quarter 2021 to 3.1% in the second quarter.

**Rental Rate:** Direct gross rental rates increased at a slightly more accelerated pace in the second quarter 2021, rising to an average of \$28.03 psf, or growth of 0.9% QoQ. By subtype, Class A rates increased to \$31.03 per sf, a slight 0.4% increase during the quarter, while Class B rates were largely flat at \$23.55 psf. On an annual basis, Class A and Class B direct rates have moved inversely. The average Class A rate is up 9.4% year-over-year, owing to more premium Class A space becoming available and the delivery of new vacant construction, all the while most landlords have kept asking rents stable since the onset of the pandemic. Class B rents have fallen on average over the past year, recording a 4.4% drop. The submarket's overall gross average rent was up 1.0% QoQ to \$27.88 psf. Increases in operating expenses and taxes is putting upward pressure on gross rents, but over the near-to-mid-term, landlords may have to consider reducing rents to compete for demand in the face of higher vacancy and sublease space.

**Leasing:** Leasing activity in the SES submarket rebounded in the second quarter 2021, having more than doubled the level seen in the first quarter after reaching almost 640,000 sf. Activity was nearly evenly split among Class A and Class B product in the second quarter 2021 at approximately 299,000 and 331,000 sf, respectively. The SES submarket captured three of the Denver metro's five largest office leases of the second quarter 2021. These were led by Zynex Medical's 110,750-square-foot sublease at 9655 Maroon Circle in the Meridian micro market, followed by DCP Midstream's 72,300-square-foot sublease at 6900 Layton Avenue in the Greenwood Plaza micro market and Nextworld's direct lease at 8200 E. Maplewood Avenue for 53,500 sf, also in Greenwood Plaza. With activity picking up and more tenants expected to reoccupy their space or identify alternatives in the coming months, the leasing activity outlook looks more promising in the second half of 2021.

**Absorption:** Net absorption remained negative for the fifth consecutive quarter, a trend that is occurring across the majority of Denver's office submarkets. At negative 295,200 sf, net absorption was below the negative 230,400 sf recorded a quarter earlier, but is a slight improvement against levels seen in the second half of 2020. By subtype, Class A net absorption registered negative 223,000 sf and Class B net absorption negative 64,000 sf. Negative absorption is likely to persist in the second half of 2021, albeit at more moderate levels as more workers return to offices and companies redefine their real estate strategies.

**Construction:** No new single or multi-tenant project in the SES submarket commenced construction in the first half of 2021, and it is widely expected that developers with potential speculative construction will remain on the sidelines for the foreseeable future until occupancy levels reach a more sustainable level. On the owner-user side, several projects are underway, including Kiewit's two-building 391,900-square-foot regional headquarter campus in Lone Tree, which is expected to begin reaching completion in the second half of 2021. Vectra Bank's new headquarters at 7222 E. Layton Avenue at Belleview Station is also underway and expected to deliver by year end 2022. This 130,000-square-foot development has roughly 34,000 sf available on a direct basis.

# SES DENVER

Office Q2 2021

## TOP SPACE ADDITIONS

ADDRESS	FLOORS	SIZE (SF)	TYPE	SUBMARKET
8900 Liberty Circle	1st-5th	280,000	Direct	Meridian
10771 East Easter Avenue	1st	73,781	Direct	Inverness/Panorama
10303 East Dry Creek Road	3rd-4th	53,940	Direct	Inverness/Panorama

## TOP LEASES

ADDRESS	TENANT	SIZE (SF)	TYPE	SUBMARKET
9655 Maroon Circle	Zynex Medical	110,754	Sublease	Meridian
6900 Layton Avenue	DCP Midstream	72,300	Sublease	Greenwood Plaza
8200 East Maplewood Avenue	Nextworld	53,546	New Lease	Greenwood Plaza

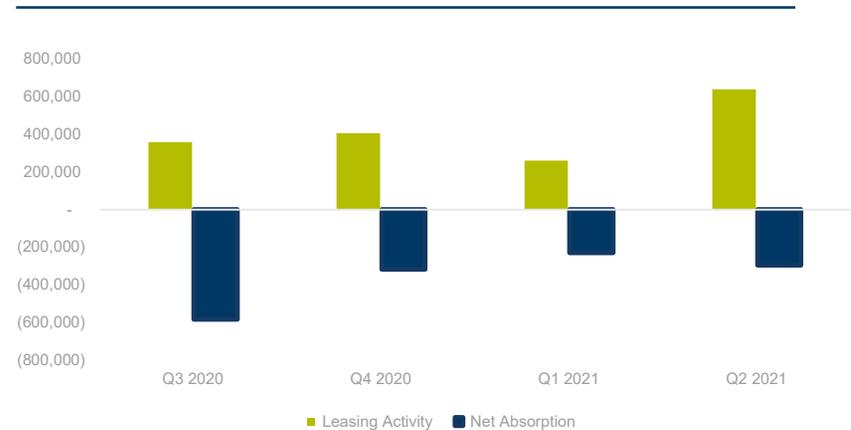
## TOP INVESTMENT SALES

ADDRESS	BUYER	SIZE (SF)	SALE PRICE	\$ PSF
8055 East Tufts Avenue Parkway	Alturas Capital Partners	273,000	\$47.1M	\$173
116 Inverness Drive East	Miller Global Partners	220,319	\$24.5M	\$111

## RENTAL RATE VS. VACANCY RATE

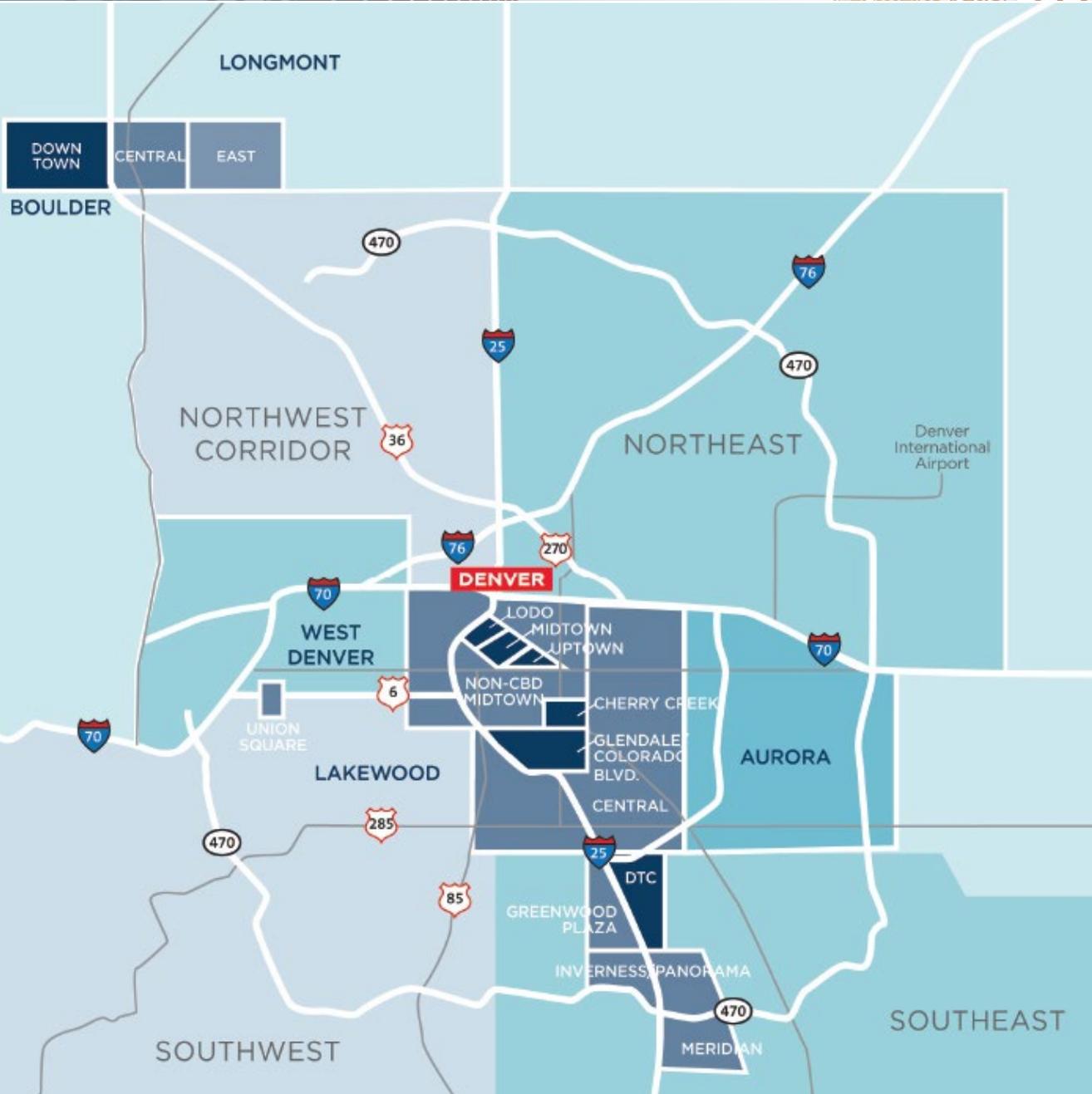


## LEASING ACTIVITY VS. ABSORPTION



# SES DENVER

Office Q2 2021



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