

CLASS A

Inventory: 21.5 msf

Vacancy: 20.8%

Leasing Activity YTD: 1.27 msf

Average Asking Rent: \$30.61 psf

CLASS B

Inventory: 11.5 msf

Vacancy: 21.3%

Leasing Activity YTD: 899,000 sf

Average Asking Rent: \$23.78 psf

CLASS C

Inventory: 833,300 sf

Vacancy: 11.8%

Leasing Activity YTD: 29,100 sf

Average Asking Rent: \$19.35 psf

OVERALL

Inventory: 33.8 msf

Vacancy: 20.7%

Leasing Activity YTD: 2.20 msf

Average Asking Rent: \$28.20 psf

MARKET FACT**447,100sf**

Class A Leasing activity hit 447,100 sf, the highest it has been since the first quarter of 2020.

SOUTHEAST SUBURBAN**Vacancy**

Vacancy rates in the Southeast Suburban (SES) market remained high throughout 2021 relative to pre-pandemic levels, but saw much smaller increases than in 2020. The 20.7% overall vacancy rate seen in the fourth quarter 2021 represents a 20-basis-point increase quarter-over-quarter (QOQ), and a 180-basis-point increase from the fourth quarter 2020. Overall rates increased by 110 basis points (bps) between the first and fourth quarters of 2021, compared to a 450-basis-point increase between the first and fourth quarters of 2020. Class A vacancy rates tell a similar story with an increase of 150 bps since the first quarter of 2021, much smaller than the 470-basis-point increase between the first and fourth quarters of 2020. Class B vacancy saw an uptick of 110 bps QOQ, but has remained stable over the last few quarters with a 100-basis-point increase YOY.

Rental Rate

Overall asking rates in the SES market have slowly increased in each quarter since the beginning of 2020, closing out the fourth quarter 2021 at \$28.20 per square foot (psf). This represents a 2.5% increase year-over-year (YOY), and an 8.2% increase from the first quarter of 2020. Class A asking rates fluctuated by less than 1.0% QOQ in each quarter of 2021, closing out the year at \$30.61 psf. While Class A rates have remained somewhat stagnant in 2021, this figure shows a very strong 11.6% increase from the \$27.44 psf Class A rate in the first quarter 2020. Class B asking rates ended the year at \$23.78 psf and have seen controlled growth in recent quarters, increasing 1.8% QOQ and 2.2% YOY. While demand is still below the levels seen before the pandemic, stable increases in asking rates show continued confidence in the SES market's future on the part of landlords.

Leasing

The SES office market closed out the year on a very strong note as far as overall leasing activity is concerned, with approximately 639,000 square feet (sf) of deals closed in the fourth quarter 2021. After a slow start to the year, activity picked up in the last three quarters to hit 2.2 msf for the year, nearly identical to 2020's total. Leasing activity was heavily concentrated in Class A product, with 447,100 sf signed. This is the most Class A activity in a single quarter since the first quarter of 2020, showing a growing appetite for top-tier space. The largest deal of the quarter was a 138,125-square-foot deal signed by York Space Systems at 6060 South Willow Drive. AT&T signed the next-most notable deal of the quarter, taking 70,824 sf at 7670 South Chester Street. The fourth quarter 2021 brought a handful of large leases mixed with a greater number of mid-sized deals, showing demand for SES product from users of all sizes.

Absorption

The SES market lengthened its streak of negative net absorption to seven quarters, posting negative 186,800 sf of absorption in the fourth quarter 2021. This is consistent with the absorption numbers in recent quarters, as each quarter in 2021 posted more than 100,000 sf of negative absorption. This puts overall net absorption for 2021 at negative 728,100 sf. Despite staying negative, 2021's net absorption is a slight improvement on the negative 873,300 sf seen in 2020. On a brighter note, Class A absorption was positive for the first time in seven quarters, with 33,100 sf of absorption in the fourth quarter 2021.

Construction

The SES market's construction pipeline remains thin, with one new building underway as 2021 concluded. The majority of the 105,900-square-foot building at 7222 East Layton Avenue will be owner-occupied by Vectra Bank, leaving approximately 34,000 sf of available space. The lack of new construction presently has increased the probability of another speculative development breaking ground in 2022.

SES DENVER

Office Q4 2021

TOP SPACE ADDITIONS

ADDRESS	FLOORS	SIZE (SF)	TYPE	SUBMARKET
5800 South Quebec Street	1st – 4th	157,576	Direct	Greenwood Plaza
10771 East Easter Avenue	1st – 3rd	73,781	Direct	Inverness/Panorama
6162 South Willow Drive	3rd	27,724	Direct	Denver Tech Center

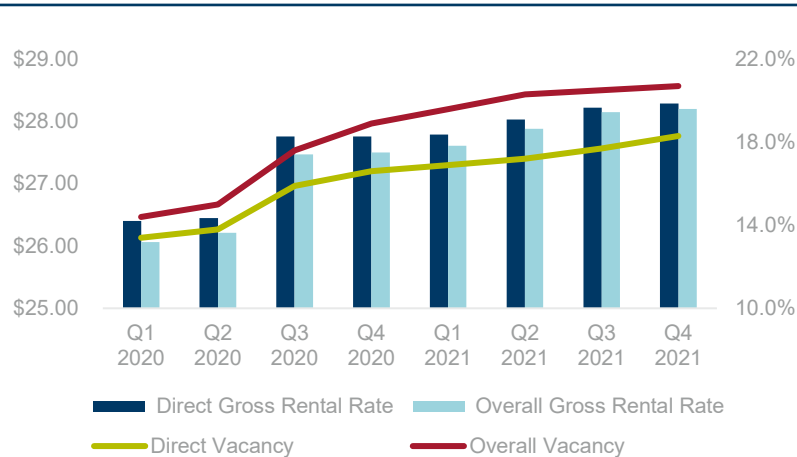
TOP LEASES

ADDRESS	TENANT	SIZE (SF)	TYPE	SUBMARKET
6060 South Willow Drive	York Space Systems	138,125	New Lease	Denver Tech Center
7670 South Chester Street	AT&T	70,824	Sublease	Inverness/Panorama
6501 South Fiddler's Green Circle	Charter	33,694	Renewal	Greenwood Plaza

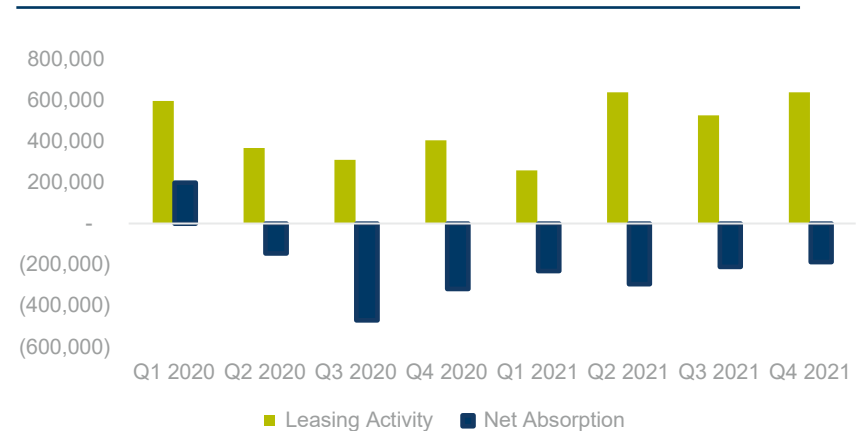
TOP INVESTMENT SALES

ADDRESS	BUYER	SIZE (SF)	SALE PRICE	\$ PSF
8480 East Orchard Road	Alturas Capital Partners	121,000	21.0M	\$173
11551 East Arapahoe Road	Koelbel & Co	85,935	7.7M	\$90

RENTAL RATE VS. VACANCY RATE

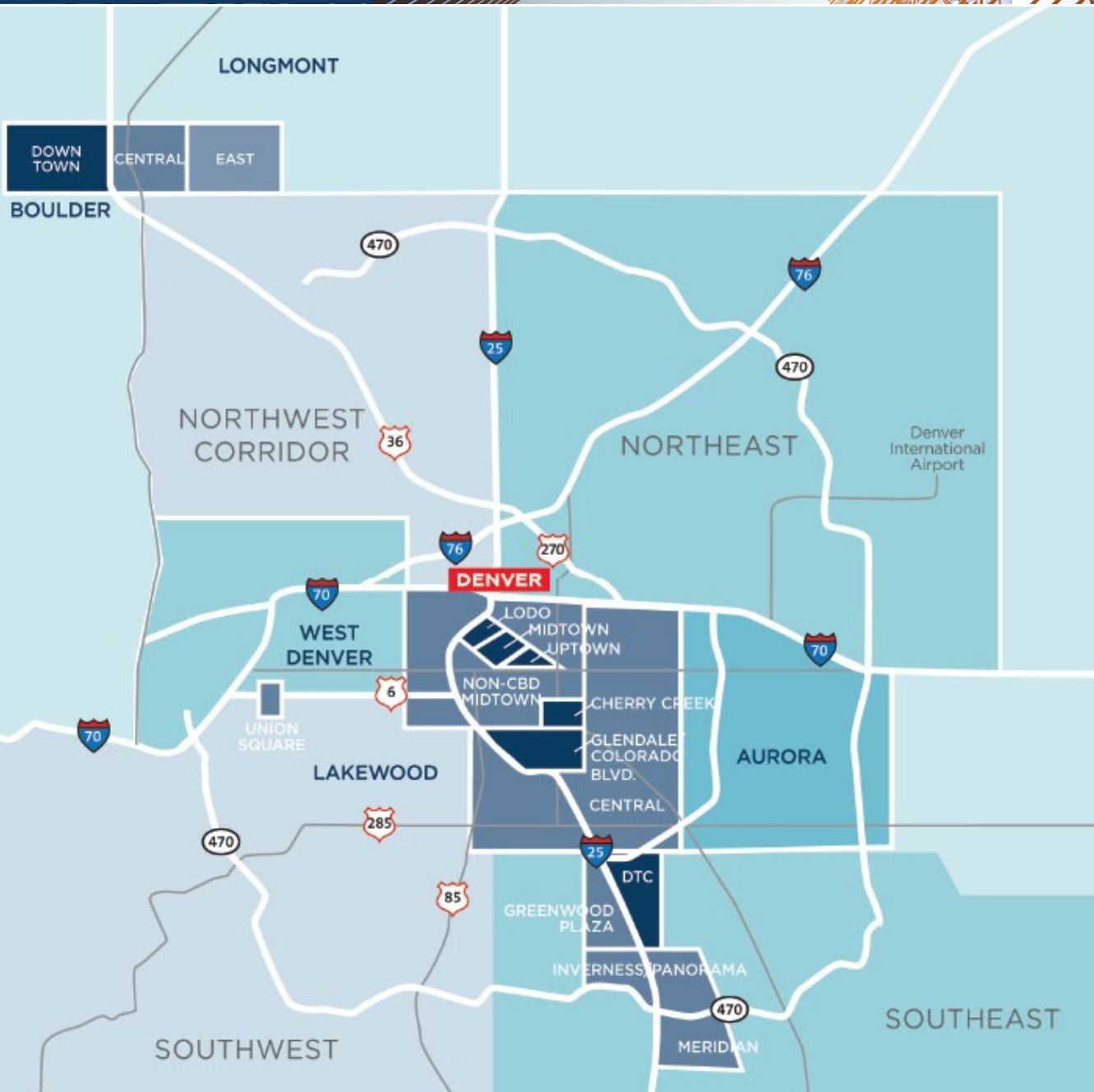


LEASING ACTIVITY VS. ABSORPTION



SES DENVER

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