

## Trends to Watch

COVID-19 continues to drive the majority of factors in the market



### Sublease Availability

Office sublease availability has risen nearly 39% market-wide since January of 2019, with the amount of sublease space doubling in the CBD Core



### Employment Growth

Denver non-farm employment is down 5.6% year-over-year from July 2019 to July 2020, with over 70,000 non-farm jobs lost since January of 2020



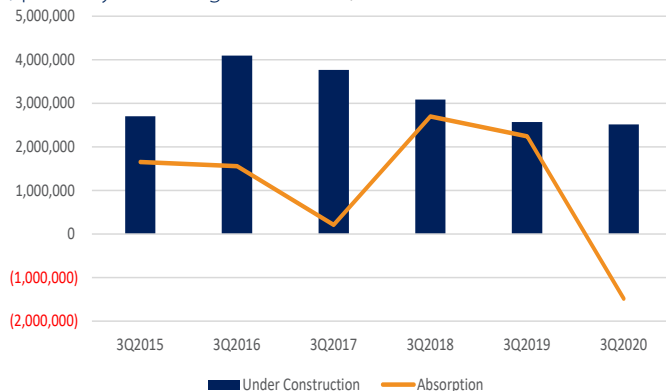
### Tech Industry

From software firm Palantir to fintech company Marqeta, Denver's talent pool and comparable lower rents continue to drive tech tenants to the market.

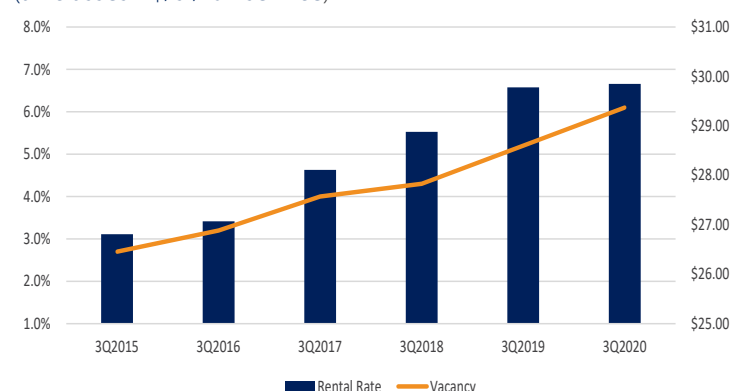
## Market Highlights

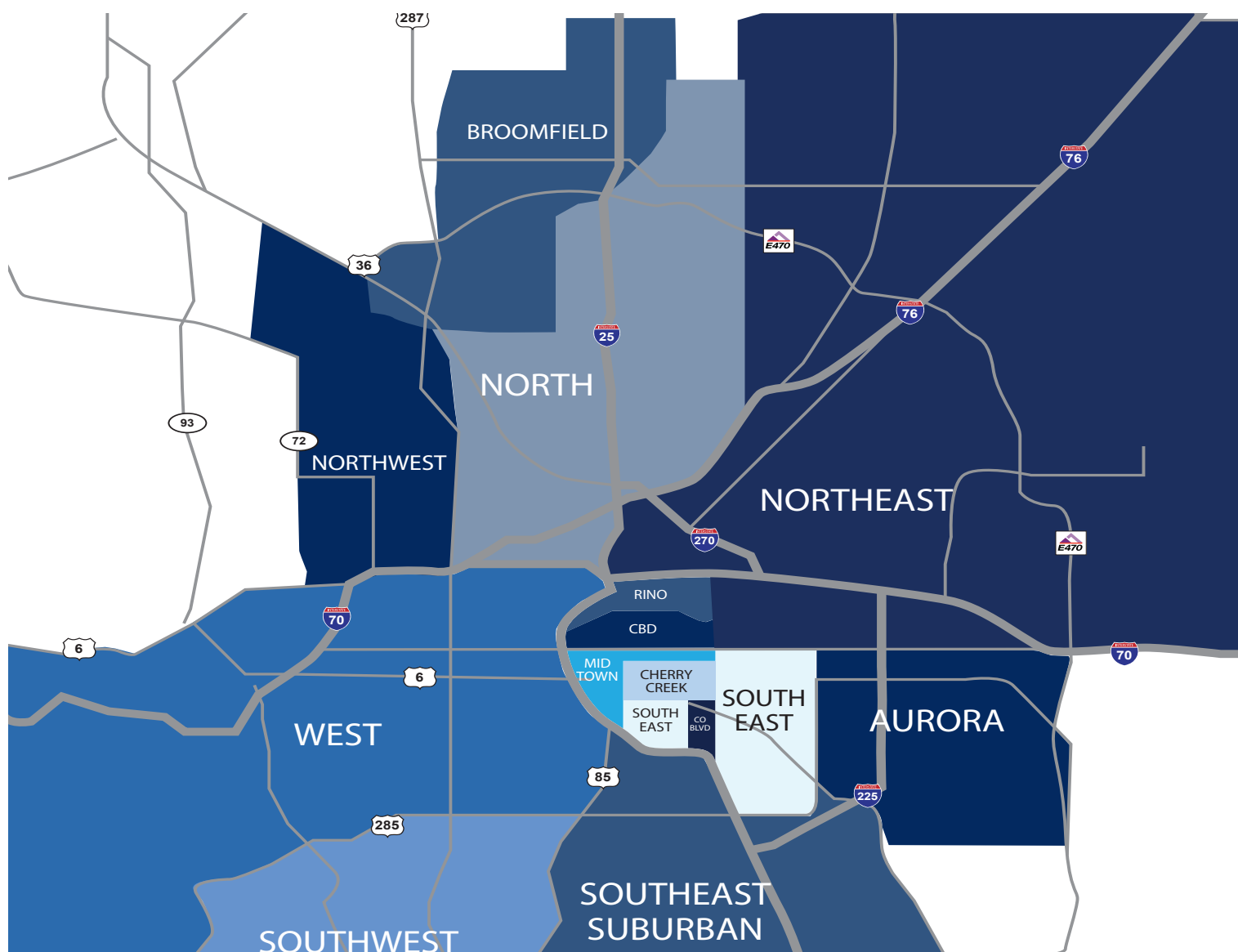
- While leasing activity has slowed, deals continue to be signed as companies look toward the post-pandemic future. The biggest deal of the quarter was medical transportation company Logisticare Solutions' 72,994-square foot (sf) lease at 6900 S Layton Street. Despite volatility in the oil and gas industry, Liberty Oil Fields renewed for 71,921-sf at 950 17th Street.
- The full-service gross (FSG) rental rates in Denver remained relatively flat in 3Q2020, ending the quarter with an average rental rate of \$29.85 FSG, a less than 1% decline from the second quarter of 2020. However, after explosive growth during the last cycle shifted leverage to the landlords, increased vacancy has tenants gaining more leverage.
- Office sales picked up in 3Q2020, ending the quarter with \$154.6 million versus only \$48.8 million in 2Q2020. However, this figure still represented a 70% decline in sales volume year-over-year. The most notable transaction was Saudi Aramco's \$120 million purchase of Cobank's Headquarters at 6340 S. Fiddlers Green Circle in the Southeast Suburban (SES) submarket. The SES continues to be popular with foreign investors, particularly as urban density in the area grows.
- In September VF Corp. took occupancy of their new headquarters at 1551 Wewatta Street, having signed a lease for the entirety of the 285,197-sf building in 3Q2018. Between large move-outs from distressed oil and gas tenants and companies extending plans to work remote into 2021, rising sublease availability is driving negative absorption. 3Q2020 ended with negative 628,856 sf of net absorption, bringing the year-to-date total to 846,593 sf of negative absorption.
- Construction completed on Prime West's new Class A development at 6900 S. Layton Avenue near the Belleview RTD Station in Greenwood Village. The building delivered 67.3% leased to two large tenants, the aforementioned Logisticare Solutions and Newmont Mining, who leased 144,600 sf to relocate their headquarters. The office development pipeline continues to thin out across the market as demand attempts to catch up to supply, particularly in the urban core.

## Under Construction v. Absorption (quarterly v. trailing 12 months)



## Average Asking Rental Rate vs. Vacancy (all classes - \$/sf/full service)





## Submarket Trends



### Lowest Vacancy Rate

(Overall, all classes)

**Northeast 6.2%**

Overall Denver 13.2%



### Highest Avg. Asking Rent

(Direct, all classes)

**RiNo/Platte Valley \$44.97 FSG**

Overall Denver \$29.85 FSG



### Highest Sales Volume

(All classes)

**Southeast Suburban \$126.8 Million**

Overall Denver \$154.6 Million



### Highest 3Q Leasing Activity

(Overall, all classes)

**CBD Core 368,450 SF**

Overall Denver 801,330 MSF



### Largest Y-0-Y Vacancy Decrease

(Overall, all classes)

**Northwest 2.9%**

Overall Denver -2.0%



### Highest Net Absorption

(Overall, all classes)

**LoDo 252,946 SF**

Overall Denver (628,856) SF

## Submarkets By The Numbers

Submarket	Inventory	Vacant SF	Vacancy %	YTD Net Absorption	YTD Leasing Activity	Under Construction	Total Office Pre-Leased	Average Asking Rent (Weighted)
Aurora	5,075,819	583,613	11.5%	(112,188)	61,308	0	0	\$19.50
Broomfield	5,915,551	664,261	11.2%	(128,075)	42,874	0	0	\$27.16
CBD	34,843,657	5,558,995	16.0%	(419,121)	663,850	1,147,270	154,016	\$37.03
Cherry Creek	2,133,424	261,947	12.3%	(60,426)	86,197	75,000	75,000	\$37.34
Colorado Boulevard/Southeast	6,075,551	612,123	10.1%	(166,085)	229,180	139,065	88,933	\$26.95
Midtown	3,754,805	298,769	8.0%	(33,503)	66,347	0	0	\$29.94
North	2,361,750	190,922	8.1%	47,598	97,881	0	0	\$22.99
Northeast	2,870,545	178,761	6.2%	(30,413)	46,356	0	0	\$23.61
Northwest	3,894,710	438,353	11.3%	144,358	37,292	0	0	\$25.51
RiNo/Platte Valley	4,505,302	731,407	16.2%	223,087	83,266	282,402	7,000	\$44.97
Southeast Suburban	40,428,317	5,648,240	14.0%	(394,975)	1,721,689	0	0	\$28.03
Southwest	5,997,122	519,474	8.7%	10,864	111,795	0	0	\$18.32
West	8,239,665	898,937	10.9%	72,286	3,875,570	0	0	\$24.13
<b>Total</b>	<b>126,096,218</b>	<b>16,585,802</b>	<b>13.2%</b>	<b>(846,593)</b>	<b>7,123,605</b>	<b>1,643,737</b>	<b>324,949</b>	<b>\$29.85</b>

## Select Third Quarter Leases

Submarket	Tenant	Industry	Property	SF	Type
CBD Core	Liberty Oilfield Services	Energy	950 17th Street	71,921	Renewal
LoDo	Nelson Mullins	Law	1400 Wewatta Street	28,000	New Lease
LoDo	Udemy	Tech	1860 Blake Street	22,485	New Lease
Midtown	Baceline	Real Estate	511 Broadway	19,049	New Lease
Southeast Suburban	Logisticare Solutions	Medical	6900 S. Layton Street	72,994	New Lease

## Select Third Quarter Sales

Submarket	Property	Buyer	SF	Sales Price	Price/SF
Aurora	350 Blackhawk Street	Third Future Schools	41,657	\$7,332,500	\$176/SF
Southeast Suburban	6340 S. Fiddlers Green Circle	Saudi Aramco	274,287	\$120,000,000	\$437/SF
Southeast Suburban	6161 S. Syracuse Way	Pantheon Holdings	46,187	\$6,800,000	\$147/SF
Southwest	7901 & 7921 Southpark Plaza	Pantheon Holdings	93,039	\$12,161,000	\$131/SF
West	1400 W. 122nd Avenue	Advanced Space	30,044	\$5,375,000	\$179/SF

## Under Construction

Submarket	Property	Developer	SF	% Leased	Delivery
Cherry Creek	240 Saint Paul Street	Broe Real Estate Group	34,890	100.0%	Jun-21
CBD Core	1490 Curtis - The Link	Steelwave	225,000	0.0%	Nov-20
CBD Core	675 15th Street - Block 162	Patrinely Group	595,000	0.0%	Dec-20
Glendale	Boulevard 1 One - Southeast & Southwest Buildings	Confluent Development	163,065	55.4%	Nov-20
LoDo	1601 Market Street-Market Station	Continuum Partners	95,400	82.8%	Oct-20
LoDo	1901 Wazee Street-McGregor Square	Hensel Phelps	210,900	0.0%	Mar-21
Southeast Suburban	Kiewit Regional HQ Phase I & II	Kiewit	391,854	100%	Jan-21
RiNo/Platte Valley	1701 Platte Street - One Platte	The Nichols Partnership	250,402	0.0%	Feb-22

# Avison Young at a Glance

Founded: **1978**

Total Real Estate Professionals: **5,000**

Offices: **108**

Countries: **14**

Brokerage Professionals: **1,600**

Property Under Management: **367 million sf**

Avison Young is the world's fastest-growing commercial real estate services firm. Headquartered in Toronto, Canada, Avison Young is a collaborative, global firm owned and operated by its Principals. Founded in 1978, with legacies dating back more than 200 years, the company comprises approximately 5,000 real estate professionals in 108 offices in 14 countries. The firm's experts provide value-added, client-centric investment sales, leasing, advisory, management and financing services to clients across the office, retail, industrial, multi-family and hospitality sectors.



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