

Trends to Watch

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



Sublease Availability

Strain on the oil & gas industry has resulted in rash of large-block sublease space in the CBD core, the city's traditional energy corridor



Unemployment

After falling to a mere 2.3% at the end of 2019, unemployment in Denver has risen to 7.9%



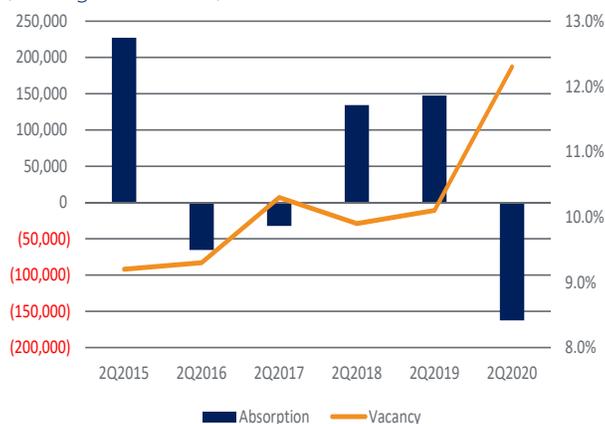
Coworking

The prevalence of coworking firms has already diminished as a result of COVID-19, with several companies closing up shop and others shedding space

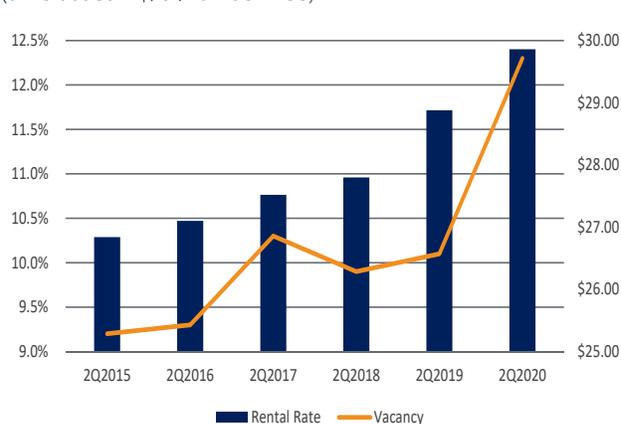
Market Highlights

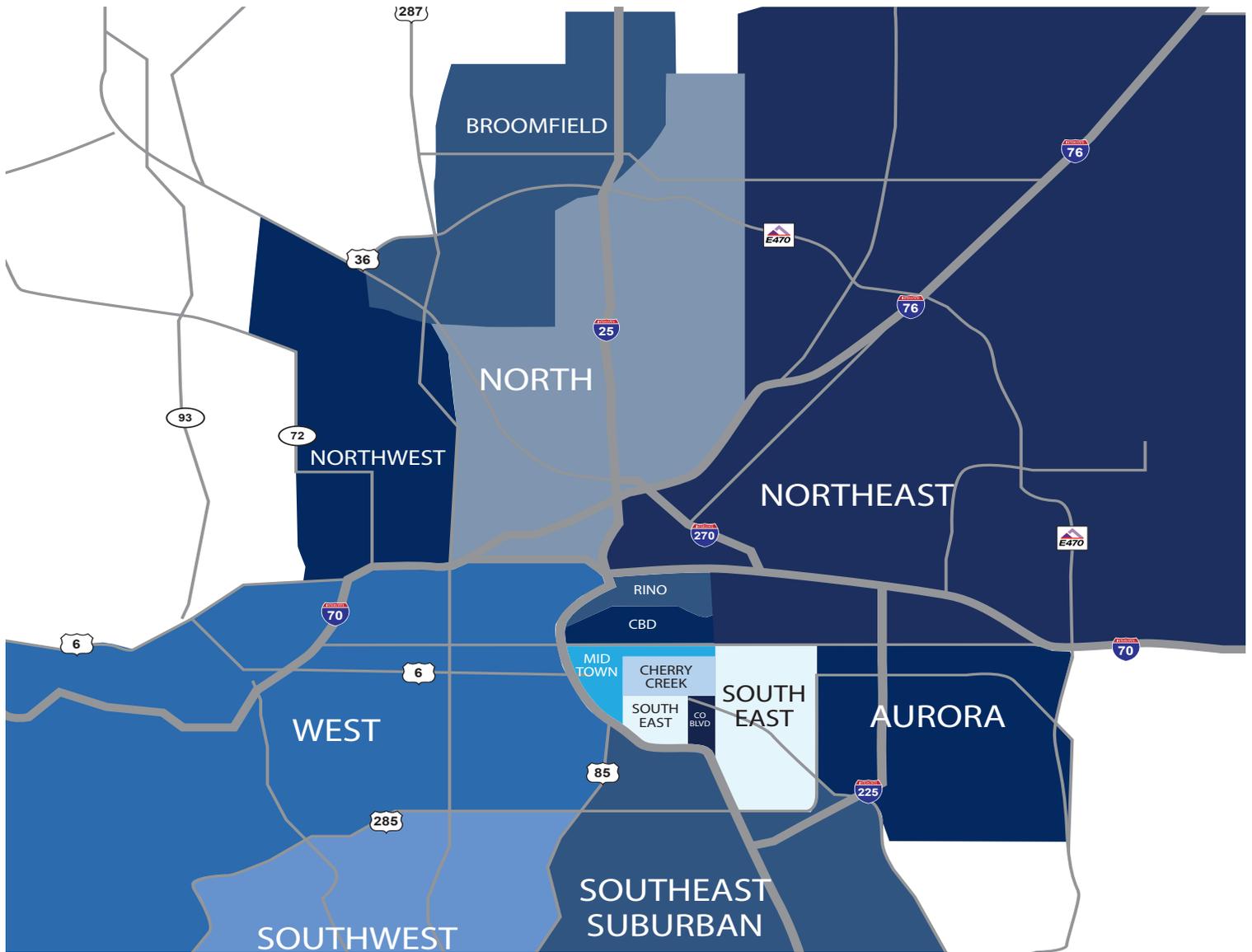
- Despite the uncertainty surrounding the COVID-19 pandemic, companies continue to make plans to move to Denver. Israeli-based website platform Wix is currently looking for space in the CBD with the intention of hiring 200 people by the end of 2020. Marqeta, a global card-issuing platform, has chosen Denver as a second headquarters and will begin searching for space to house the 100 people the company plans to hire in the first year.
- After years of sustained rental rate growth, the full-service gross (FSG) rental rates in Denver have begun to soften as a result of rising vacancy and increased sublease availability. 2Q2020 ended with an average rental rate of \$28.86 FSG, down slightly from \$28.89 FSG in 1Q2020. RiNo/Platte Valley continues to be a top performer in rental rate growth, averaging \$44.89 FSG, up 7.4% year-over-year.
- Office building sales totaled \$47.8 million in 2Q2020, representing a sharp drop-off from the \$1.4 billion in investment sales in 1Q2020. The the largest transaction of the quarter was the \$33 million sale of a Class A building in the Cherry Creek submarket. With limited availability and above-average rental rates, Cherry Creek remains a popular submarket with investors.
- Several large move-outs had absorption trending negative through the second quarter of 2020. The second quarter ended with negative 270,284 square feet (sf) of net absorption for a year-to-date total of negative 120,127 sf. One of the largest needle-movers was Occidental Petroleum's 191,949 sf move-out of Granite Tower at 1099 18th Street in the CBD Core.
- Construction continues on several prominent projects, including Block 162 in the CBD Core and McGregor Square in LoDo. Though pre-leasing numbers remain low for both, leasing activity suggests they are unlikely to deliver entirely vacant. Elsewhere, companies are holding off on breaking ground, waiting to see the economic impact of COVID-19 on the market.

Absorption vs. Vacancy
(trailing 12 months)



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





Submarket Trends



Lowest Vacancy Rate
 (Overall, all classes)
Northeast 5.7%
 Overall Denver 12.1%



Highest Avg. Asking Rent
 (Direct, all classes)
RiNo/Platte Valley \$44.89 FSG
 Overall Denver \$29.86 FSG



Highest Sales Volume
 (All classes)
Southeast Suburban \$33.0 Million
 Overall Denver \$47.8 Million



Highest 2Q Leasing Activity
 (Overall, all classes)
CBD Core 233,329 SF
 Overall Denver 1.1 MSF



Largest Y-0-Y Vacancy Decrease
 (Overall, all classes)
Northwest 5.2%
 Overall Denver -1.6%



Highest Net Absorption
 (Overall, all classes)
RiNo/Platte Valley 69,608 SF
 Overall Denver (270,284) 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	5,170,042	532,650	10.3%	(54,568)	63,649	0	0	\$19.75
Broomfield	5,994,596	577,815	9.6%	(51,247)	(40,813)	0	0	\$27.36
CBD	40,100,235	5,642,117	14.1%	(304,178)	632,452	864,288	87,849	\$36.48
Cherry Creek	2,385,533	299,929	12.6%	(21,086)	49,505	-	-	\$36.60
Colorado Boulevard/Southeast	5,668,203	729,585	12.9%	120,387	111,766	-	-	\$27.17
Midtown	3,743,258	294,411	7.9%	(43,754)	30,182	160,320	0	\$28.27
North	2,362,158	215,571	9.1%	22,275	96,008	0	0	\$23.03
Northeast	2,871,542	164,773	5.7%	(31,355)	42,657	0	0	\$21.78
Northwest	3,859,979	423,457	11.0%	203,765	69,328	243,433	220,974	\$25.64
RiNo/Platte Valley	4,103,137	436,420	10.6%	141,369	60,805	101,759	71,002	\$44.89
Southeast Suburban	39,837,602	5,000,280	12.6%	(165,488)	1,546,878	644,833	447,038	\$28.03
Southwest	5,997,122	519,474	8.7%	14,863	168,962	0	0	\$19.16
West	8,221,726	870,292	10.6%	48,890	3,334,952	0	0	\$24.19
Total	130,315,133	15,706,774	12.1%	(120,127)	6,166,331	2,014,633	826,863	\$29.86

Select First Quarter Leases

Submarket	Tenant	Industry	Property	SF	Type
CBD Core	State of Colorado	Government	1700 Broadway	45,778	Renewal
CBD Core	Motley Fool	Financial	555 17th Street	24,149	New Lease
LoDo	Kilpatrick	Legal	1400 Wewatta Street	29,301	Renewal
Southeast Suburban	Lockheed Martn	Aerospace	10475 Park Meadows Drive	166,708	Sublease
Southeast Suburban	Bonneville International		7800 E Orchard Road	30,795	Renewal

Select First Quarter Sales

Submarket	Property	Buyer	SF	Sales Price	Price/SF
Cherry Creek	3200 Cherry Creek South Drive - The Citadel	Matador Equity Partners	130,652	\$33,000,000	\$174/SF
Southeast Suburban	7955 E. Arapahoe Court - Arapahoe Plaza East II	The Welsh Family Trust	29,140	\$3,525,000	\$253/SF
Southwest	6901 S. Pierce Street - Columbine Valley	Bridal Dale	52,803	\$5,700,000	\$121/SF
West	32045 Castle Court	Big Stone Building	32,256	\$5,600,000	\$108/SF

Under Construction

Submarket	Property	Developer	SF	% Leased	Delivery
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
LoDo	1601 Market Street-Market Station	Continuum Partners	95,400	82.8%	Aug-20
LoDo	1901 Wazee Street-McGregor Square	Hensel Phelps	210,900	0.0%	Mar-21
RiNo/Platte Valley	3600 Brighton Boulevard - Revolution 360	Haselden Construction	171,000	43.9%	Oct-20
RiNo/Platte Valley	3650 Blake Street - HUB North	Beacon Capital Partners	105,340	0.0%	Sep-20
RiNo/Platte Valley	3060 Brighton Boulevard	Mass Equities, Inc.	70,000	0.0%	Sep-20
Southeast	Boulevard 1 One	Confluent Development	163,065	55.4%	Nov-20
Southeast Suburban	6900 Layton Avenue	Prime West	384,712	48.7%	Sep-20
Southeast Suburban	Kiewit Regional HQ	Kiewit	260,121	100%	Jan-21

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**

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