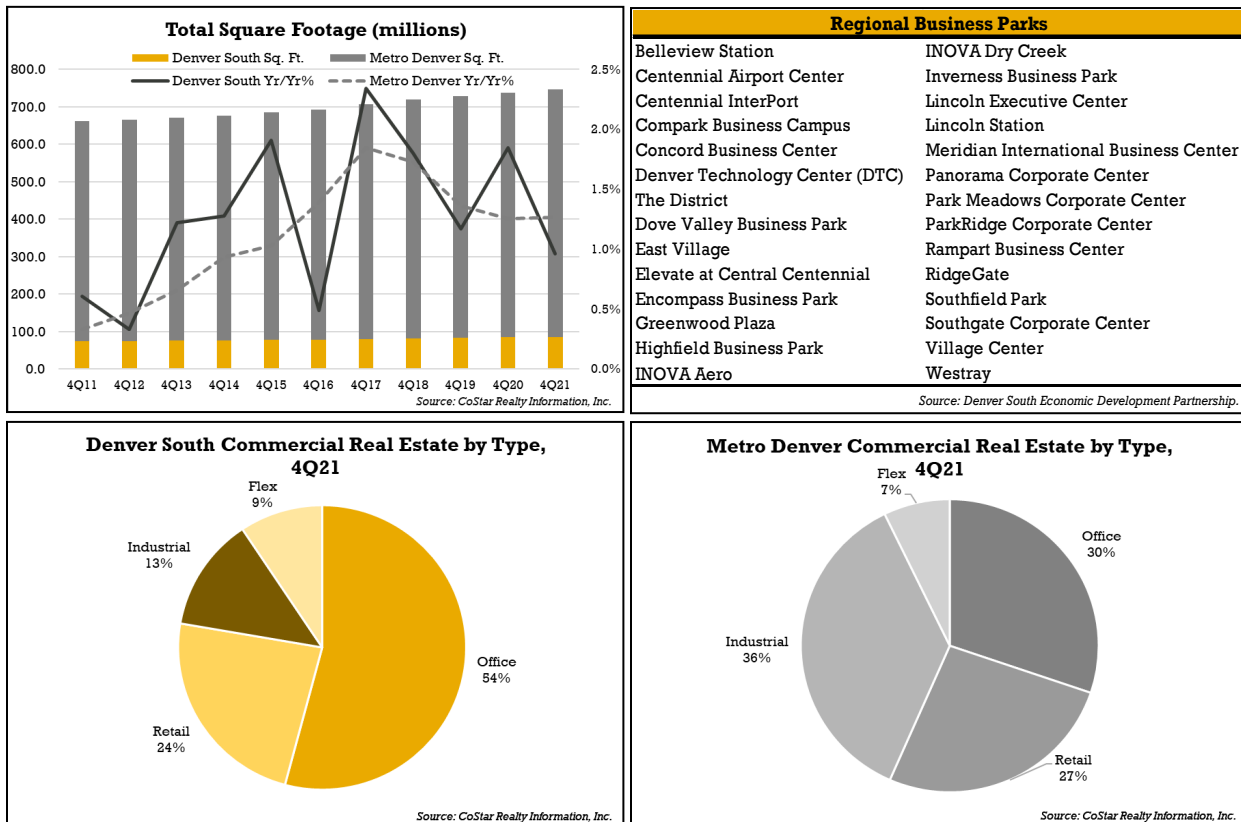


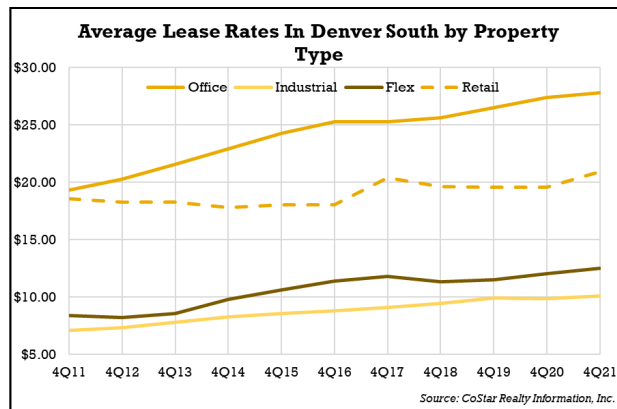
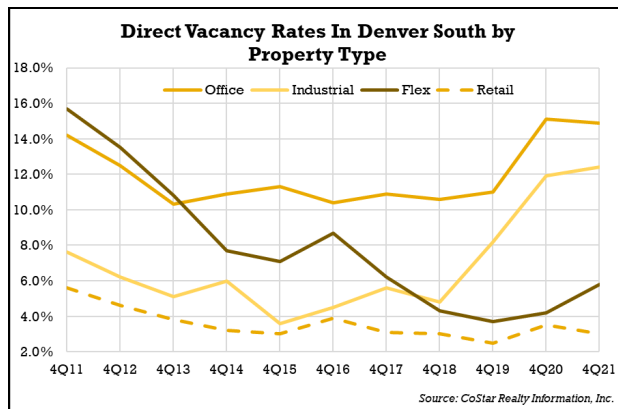
**Commercial Real Estate**

- The Denver South region has nearly 85 million square feet of combined office, industrial, flex, and retail space in over 2,200 buildings as of the fourth quarter of 2021.
  - Office (54 percent) accounted for the largest share of space among the four market types in Denver South, while industrial represented the largest share of Metro Denver’s commercial real estate market (36 percent).
  - Historically, the Denver South region has contained nearly 13 percent of the total space in Metro Denver.
  - Since 2011, the Denver South region added over 10.5 million square feet of total space.



**Historical Trends**

- The commercial real estate markets recorded low vacancy rates and record high average lease rates between 2011 and 2019. In 2020, the commercial real estate market worsened due to the pandemic for all four property types. Commercial real estate fundamentals were mixed in 2021.
- The vacancy rates in the Denver South region fell in three of the four market types between 2011 and 2019 but fluctuated over the period. Vacancy rates generally trended upward across all four market types in 2020 in 2021.
- The average lease rates in Denver South generally climbed in all four market types between 2011 and 2021, driven by increased real estate investment and a growing economy that fueled demand for space.



**Current Trends**

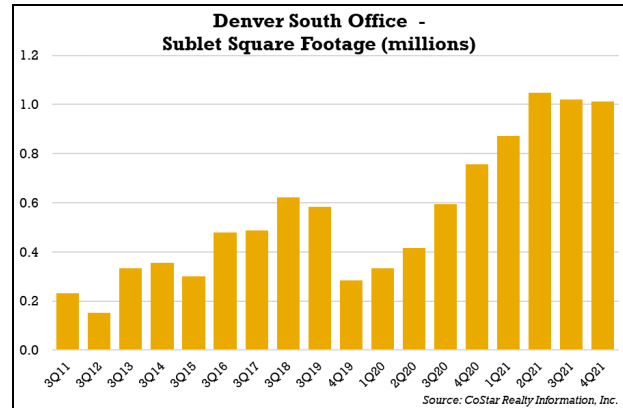
- The vacancy rate in the Denver South region declined in two of the four markets between the fourth quarters of 2020 and 2021, with the retail market recording the largest decrease of 0.5 percentage points. The industrial and flex markets recorded increases over-the-year.
  - The vacancy rates in Metro Denver decreased in three of the four market types over-the-year. The flex market recorded the largest decrease of 0.8 percentage points.
- The average lease rate increased in all four market types in the Denver South region over-the-year. The retail market recorded the largest increase in the average lease rate over-the-year, rising 7.1 percent to \$20.95 per square foot.
  - The average lease rates increased in all four market types in Metro Denver over-the-year, with the flex market recording the largest increase of 9.2 percent.

**Denver South Commercial Vacancy and Lease Rates by Property Type**

		Total Existing Square Footage (millions)		Vacancy Rate		Avg Lease Rate (per sq. ft.)	
		4Q 2020	4Q 2021	4Q 2020	4Q 2021	4Q 2020	4Q 2021
<b>Office</b>	<b>Denver South</b>	45.8	46.0	15.1%	14.9%	\$27.42	\$27.79
	<b>Metro Denver</b>	197.9	200.0	10.9%	12.5%	\$28.88	\$29.47
<b>Industrial</b>	<b>Denver South</b>	10.5	11.0	11.9%	12.4%	\$9.85	\$10.13
	<b>Metro Denver</b>	234.2	239.7	5.2%	5.0%	\$8.69	\$9.31
<b>Flex</b>	<b>Denver South</b>	7.9	7.9	4.2%	5.8%	\$12.03	\$12.54
	<b>Metro Denver</b>	47.5	47.7	7.6%	6.8%	\$13.33	\$14.56
<b>Retail</b>	<b>Denver South</b>	20.0	20.0	3.5%	3.0%	\$19.57	\$20.95
	<b>Metro Denver</b>	174.2	174.7	5.1%	4.6%	\$18.82	\$19.27

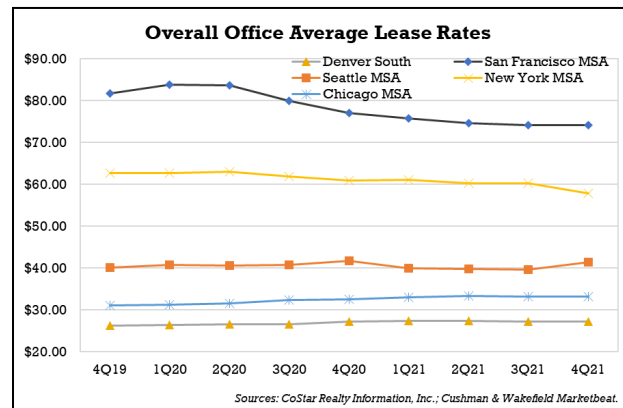
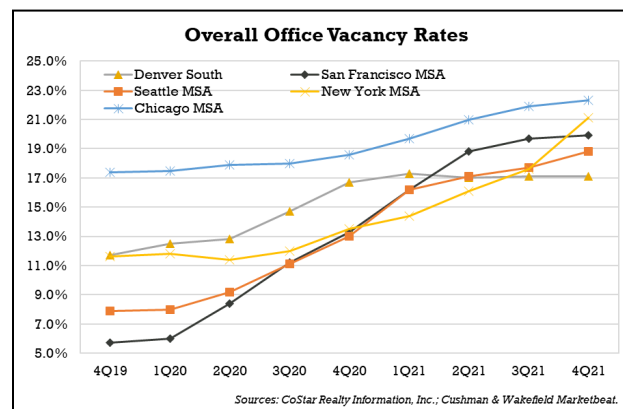
Note: Vacancy rate and average lease rate are for direct space only (excludes sublet space). Industrial, flex, and retail lease rates are triple-net; office rates are triple-net. Source: CoStar Realty Information, Inc.

- Office sublease space in the Denver South region declined in the third and fourth quarters of 2021 as leasing activity intensified and tenants moved forward with long-term real estate decisions.
- Office sublease space rose 33.7 percent over-the-year but declined 0.9 percent between the third and fourth quarters of 2021.
- The pace of commercial construction in the Denver South region accelerated in the fourth quarter of 2021. The amount of space under construction across all four market types rose 58.4 percent over-the-year to 1.7 million square feet or an additional 8 buildings.
  - The largest projects under construction in the Denver South region were the BlueScope Logistics Center II that will add 304,620 square feet of industrial space and 4 industrial buildings at E. Caley Ave. in Centennial that will add 304,172 square feet.



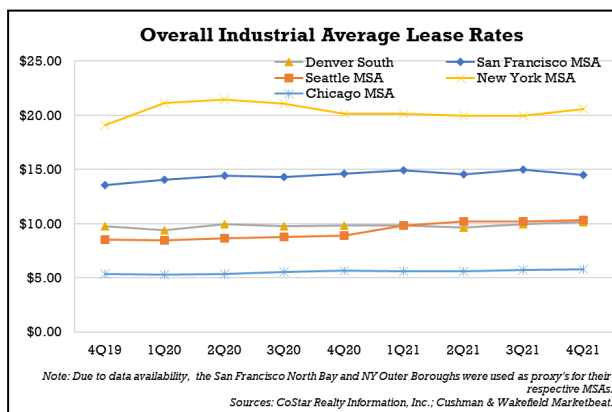
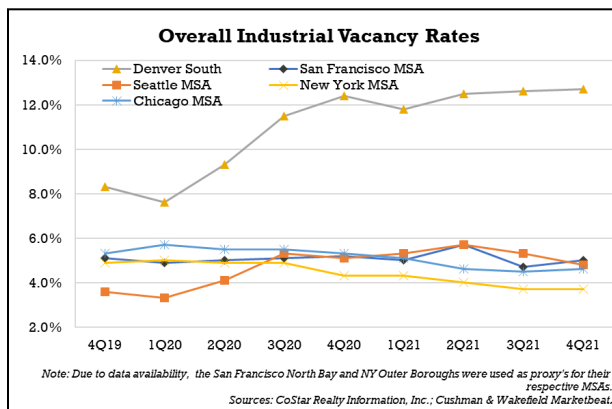
**Office Vacancy & Average Lease Rates for Competitor MSAs**

- The overall office vacancy rates increased in all competitor MSAs over-the-year. Denver South was the only competitor MSA with an over-the-year increase under 1 percentage point.
  - The Denver South region's overall office vacancy rate was the lowest among the competitor MSAs.
  - The Chicago MSA had the highest overall office vacancy rate in the fourth quarter of 2021 at 22.3 percent. The New York MSA had the largest overall increase in the office vacancy rate, rising 7.6 percentage points over-the-year.
- The Denver South MSA had the lowest overall office average lease rate among the competitor MSAs. The average lease rate in the Denver South region rose 0.2 percent over-the-year.
  - Office average lease rates declined in three of the competitor MSAs, led by the New York MSA (-5 percent) and the San Francisco MSA (-3.8 percent).
  - The San Francisco MSA has historically had the highest average office lease rate among the competitor MSAs. The San Francisco MSA's overall average lease rate is nearly 3 times higher than the average lease rate in the Denver South region.



**Industrial Vacancy & Average Lease Rates for Competitor MSAs**

- The Denver South region’s overall industrial vacancy rate was the highest among the competitor MSAs at 12.7 percent in 4Q 2021.
  - The overall industrial vacancy rate declined in all of the competitor MSAs over-the-year, except in the Denver South region. The Chicago MSA had the largest decline of 0.7 percentage points.
- Strong competition for industrial space pressured average lease rates in 4Q 2021 for the competitor MSAs. Rent growth has accelerated in 2021, indicating strong momentum in the industrial market.
  - The Denver South region’s overall average lease rate was the second lowest among the competitor MSAs.
  - The San Francisco MSA was the only competitor MSA to record a decline in the overall industrial average lease rate between 4Q 2020 and 4Q 2021.



**Commercial Vacancy and Lease Rates by Property Type**

		Vacancy Rate		Avg Lease Rate (per sq. ft.)	
		4Q 2020	4Q 2021	4Q 2020	4Q 2021
<b>Office</b>	<b>Denver South</b>	16.7%	17.1%	\$27.06	\$27.12
	<b>San Francisco MSA</b>	13.3%	19.9%	\$77.01	\$74.06
	<b>Seattle MSA</b>	13.0%	18.8%	\$41.63	\$41.35
	<b>New York MSA</b>	13.5%	21.1%	\$60.83	\$57.80
	<b>Chicago MSA</b>	18.6%	22.3%	\$32.46	\$33.03
<b>Industrial</b>	<b>Denver South</b>	12.4%	12.7%	\$9.83	\$10.12
	<b>San Francisco MSA</b>	5.2%	5.0%	\$14.62	\$14.51
	<b>Seattle MSA</b>	5.1%	4.8%	\$8.89	\$10.29
	<b>New York MSA</b>	4.3%	3.7%	\$20.13	\$20.60
	<b>Chicago MSA</b>	5.3%	4.6%	\$5.68	\$5.78

*Notes: Vacancy rates and average lease rates are for direct & sublet space. Due to data availability, the San Francisco North Bay and NY Outer Boroughs were used as proxy's for their respective MSAs.*  
Sources: CoStar Realty Information, Inc.; Cushman & Wakefield Marketbeat.